

Austria	Sch28	Indonesia	Ru2100	Pakistan	Ru2100	Ru2100
Belgium	Bel200	Iran	Iran200	Philippines	Phil200	Phil200
Denmark	Den200	Italy	Ita200	Portugal	Port200	Port200
France	Fr200	Japan	Yen200	Singapore	Sing200	Sing200
Germany	Ger200	Korea	Kor200	Spain	Spa200	Spa200
Greece	Grc200	Lebanon	Lib200	Sweden	Swe200	Swe200
Hong Kong	HK200	Malaysia	Mal200	Switzerland	Swi200	Swi200
India	Ind200	Netherlands	Ned200	Taiwan	Tai200	Tai200
Israel	Isr200	Norway	Nor200	Thailand	Tha200	Tha200
Italy	Ita200	Oman	Oma200	Turkey	Tur200	Tur200
Japan	Yen200	Pakistan	Pak200	UAE	UAE200	UAE200
Korea	Kor200	Philippines	Phil200			
Lebanon	Lib200	Portugal	Port200			
Malaysia	Mal200	Singapore	Sing200			
Netherlands	Ned200	Spain	Spa200			
Norway	Nor200	Sweden	Swe200			
Oman	Oma200	Switzerland	Swi200			
Pakistan	Pak200	Taiwan	Tai200			
Philippines	Phil200	Thailand	Tha200			
Portugal	Port200	Turkey	Tur200			
Singapore	Sing200	UAE	UAE200			
Spain	Spa200					
Sweden	Swe200					
Switzerland	Swi200					
Taiwan	Tai200					
Thailand	Tha200					
Turkey	Tur200					
UAE	UAE200					

FINANCIAL TIMES

LATIN AMERICA
A continent in search of a role
Page 14

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Monday July 23 1990

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World News

Business Summary

Gorbachev fights plans for separate economies

President Mikhail Gorbachev and his Prime Minister, Nikolai Ryzhkov, launched an urgent counter-offensive against the proposals for separate republics to set up separate banking systems, currencies and even customs services. Page 2

Trade deal effort

Trade officials from Washington and Brussels flew to Geneva for a last-minute attempt to find a compromise over farm reform. Page 3

Blow for Taiwan

Taiwan's foreign policy was dealt a severe blow as Saudi Arabia, its last ally in the Middle East, recognised Peking as China's only legitimate government. Page 4

ANC unit arrested

South African security forces said police had arrested scores of African National Congress infiltrators who had entered the country to stage attacks. ANC officials said the arrests would not torpedo talks with the Government due to resume in August. Page 5

Mongolian election

Voting was brisk as Mongolia's 2m people voted on Sunday in their first free elections. Diplomats in Ulaan Bator, predicted the Communist Party would win but its authority, unchallenged for 69 years, would be much weakened. Page 6

Action against US

The crumbling government of Liberia President Samuel Doe expelled the head of the US military mission to Liberia, as advancing rebel troops fought with government soldiers close to central Monrovia. Page 7

Lebanese trigger

A ferocious battle for control of a village in south Lebanon threatened to draw other forces, including Israelis and Palestinians, into the country's long-standing feud between rival Shia Muslim militias. Page 8

Zambian opposition

Prominent pro-democracy campaigners in the Zambian capital of Lusaka elected a steering committee to fight for the end of two decades of one-party rule. Page 9

EC-Israel ties

Just how strained ties between Israel and the EC have become will be tested when the EC's "troika" of foreign ministers - those of current Commission chairman Italy, Ireland and the predecessor and Luxembourg successor - meet Mr Yitzhak Shamir, the Prime Minister, and Mr David Levy, his Foreign Minister. Page 10

UK reshuffle

British Prime Minister Margaret Thatcher is expected to announce middle and lower-ranking ministerial changes intended to complete a government line-up which will lead the fight into the next general election. Page 11

Tanzanian AIDS up

About 40,000 Tanzanians are now officially known to have AIDS, up from 13,000 at the end of last year. Page 12

Golf title to Faldo

Nick Faldo won his second British Open golf title by five shots after a challenge by American Payne Stewart fell away over the closing holes. Page 13

Win for LeMond

Greg LeMond of the US was the overall winner of the 1990 Tour de France cycling race, with a time of 90 hours 43 minutes and 20 seconds. Claudio Chiappucci of Italy came second, two minutes and 16 seconds behind. Page 14

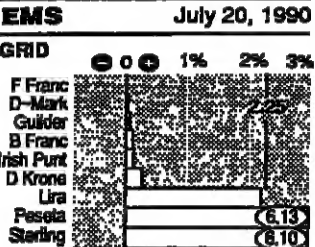
UK officials suspect US pressure over aircraft order

British officials in Tokyo suspect US political pressure is behind a delay in the company receiving a £240m (\$437m) order from the Japanese military for 77 aircraft made by British Aerospace, the UK defence and aircraft manufacturer. Page 15

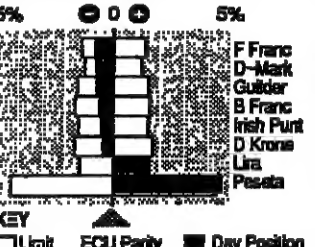
EUROPEAN Monetary System

A rise in Amsterdam money market rates, engineered by the Dutch Central Bank, helped the guilder and was the main action to relieve pressure in the EMS last week. The Bank of Spain maintained an open offer to buy weak currencies as the peseta pushed through its upper limit in the system. The Bank of France took limited action to support the franc, but threatened to lower interest rates. Page 16

EMS July 20, 1990



ECU DIVERGENCE



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2% per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (ECU).

AUSTRALIAN Government

moved to end speculation over the floor price for the world's biggest wool industry by announcing an inquiry into pricing and marketing arrangements. Page 17

EUROBOND market

is undergoing an erosion of swap opportunities which is forcing borrowers to drop their funding targets. Page 18

LOCKHEED, US defence

company, had a \$30n contract with the Pentagon to build a new type of anti-submarine aircraft cancelled, because of what the Pentagon described as an inadequate performance by the company. Page 19

JAPAN's rice market

stands a better chance of being opened following the call by Toshiki Kaifu, Japanese Prime Minister, for an easing of the country's embargo on rice imports. Page 16

Some FT statistical tables

were affected by the bomb on Friday at the Stock Exchange. No prices for gilt-edged stocks were available from the SE. As a result: Thursday's prices are repeated in the British Funds section of the London Share Service. The Fixed Interest section of the FT Actuaries All-Share Index and the FT Government Securities Index could not be calculated on Friday July 20, while gilt prices used in the calculation of the FT Fixed Interest Index on Friday July 20 were those for July 19.

Ukrainians call the Bank of England to account

By Andrew Marshall, Economics Staff, in London

OFFICIALS from the Bank of England this morning will brush the dust off an old leather-bound ledger and rummage through dusty, forgotten corners of the vaults. They might have lost something, and it might cost them £16,000bn (\$29,120bn), but they are not quite sure.

Members of the parliament of the Soviet republic of the Ukraine claimed on Saturday that a barrel of gold was entrusted to London for safe keeping 270 years ago. They would not say it back.

The Ukrainian MPs calculate the present value of the barrel as six

times the gross domestic product of the US. This translates as £300,000 for every Ukrainian.

The gold was lodged with the Bank of England, then a private institution, by Colonel Pavel Polubotok, a Ukrainian military leader, before he set out for St Petersburg for talks with the Russian imperial government. Peter the Great promptly threw the unfortunate Col Polubotok in jail, and he died there, having bequeathed the gold to a sovereign and independent Ukraine.

Now that the Ukraine is claiming its own sovereignty, it would find the gold quite useful. "I'm sure that the

treasure will be transferred to the Ukrainian people and will be their property," Mr Vladimir Yavorivsky, a deputy, told the parliament.

This is an opinion of which the Bank of England, never keen to commit itself on anything, is not quite so sure.

The Bank does not have a reputation for being careless with other people's money. But officials could find no evidence of the barrel immediately, nor of the Ukrainian claim, and they will be examining their records.

This is where the leather-bound ledger comes in. It is the record of all

defunct accounts. Whether the barrel is still around is uncertain, given that the Bank did not move into its current premises until 1794.

Officials of Britain's central bank are taking the claim quite seriously, though they point out that until the UK recognises Ukraine as a sovereign state, there is little chance of any claim being settled.

Nor is the Ukrainian claim the only one outstanding. There are also claims from the Latvian, Lithuanian and Estonian governments, which are all thought to have deposited gold with the Bank during their brief

inter-war periods of independence. None are claiming sums quite so astronomical, however.

The valuation of the Ukrainian gold is a moot point, the Bank says; if a barrel was entrusted to the vaults, a barrel will be returned, with contents. If, however, the Ukrainians opened an account, then interest may indeed be repayable - though £16,000bn sounds a trifle high.

Since the Bank of England counts its assets only in the billions, payment would entail borrowing on a scale that would quite put the gilt market off its breakfast.

UK electricity privatisation facing increasing disarray

By David Thomas and David Owen in London

THE BRITISH Government will come under intense pressure this week to resolve the growing disarray in its electricity privatisation programme by deciding the fate of PowerGen, one of the two generating companies in England and Wales to be sold.

Hanson, the industrial conglomerate, has been talking to the Government about buying PowerGen, whose sale is expected to raise more than £1bn. Ministers are now considering whether to sell PowerGen to a single bidder in a competitive tender following this unexpected development.

Separately, National Power, its rival generating company, will announce provisions on Thursday of almost £800m to meet job losses and other costs of moving into the private sector. As a result, its final accounts as a state-owned industry will show a loss of more than £500m.

National Power will disclose this week that over the next three to five years, it intends to shed about 5,000 manual and white collar jobs and close 2,000-3,000 megawatts of old coal-fired capacity. This is equivalent to shutting about

six medium-sized power stations. PowerGen will also declare a smaller loss when it publishes its accounts in a week's time.

Mr Frank Dobson, energy spokesman for the Labour opposition, yesterday accused the Government of preparing to sell the industry for less than its true worth. "More than £20bn of public assets are being revalued, and devalued, to suit the Government's privatisation programme... It is one unending series of write-offs, rip-offs, and pay-offs."

Mr Dobson will demand a statement in Parliament today from Mr John Wakeham, Energy Secretary, on the Government's plans for the sale of PowerGen.

The Labour Party will try to make capital out of Hanson's acquisitive reputation: "It is a notorious asset stripper. It would make a fortune out of

disposing of its assets," Mr Dobson said.

However, a senior Hanson adviser indicated that the company would be interested in PowerGen as a low key industrial operation whose performance could be improved - similar to other companies Hanson has bought in the past.

The Government has ruled out selling PowerGen directly to Hanson without giving other companies the chance to bid. Until this weekend, analysts expected that PowerGen would be floated at the same time as National Power early next year.

Mr Wakeham is likely to announce a decision on how he intends to sell PowerGen before Parliament breaks up for the summer recess this week, provided that Hanson expresses a formal interest in buying the company. A sale by tender would ease

Cash shortage forces Moscow to cut grain imports

By Quentin Peel in Moscow

GRAIN PURCHASES by the Soviet Union on the international market this year will fall far short of the 44m tonnes it bought in 1989, because of the acute foreign exchange squeeze the country is facing.

However, the result could mean a grave food crisis in the country, with a serious shortage of both bread and animal fodder, unless the current harvest produces a sharp increase in grain sales to the state.

That was the grim picture revealed by Mr Nikolai Ryzhkov, Soviet Prime Minister, to a joint meeting of President Mikhail Gorbachev's presidential and federation councils last week, published yesterday in the Soviet press.

At the same time he spelt out the next phase of drastic economic measures, including a complete halt to state spending on all new construction projects, to be introduced in an effort to galvanise the reform process of the Soviet economy.

On the optimistic side, he gave advance notice of a series of reforming decrees, including plans to denationalise the entire state retail, food distribution and services sector, and to abolish laws which still discriminate against individual entrepreneurs, to be enacted in the next two months.

However, Mr Ryzhkov, in a presentation on the state of the Soviet economy and his latest reform plans, made no secret of the immediate crisis in agriculture, with a bumper harvest being threatened by shortages of fuel, spare parts and machinery.

At the same time the virtual doubling in the state procurement price of grain, announced in the spring, has so far had no effect in increasing state pur-



Soviet Prime Minister Nikolai Ryzhkov: grim picture

chases. A drastic shortfall in state grain purchases last year resulted in the Soviet Union buying 44m tonnes on the world market, he said. "If we do not radically change the situation now, the country will not be able - and I take full responsibility for stating this - to purchase this quantity of grain again," he said.

"We now have a very serious problem with foreign currency. Therefore we have to do everything that we can to ensure that we purchase sufficient quantities of grain [at home] which are required to feed our people."

He went on to spell out the immediate reform plans to be enacted in the next two months:

● to publish a list of all the state enterprises to be turned

Continued on Page 16

Gorbachev seeks to protect unified economy, Page 2

Major seeks support for EMU proposals

By Andrew Marshall, Economics Staff, in London

MR JOHN Major, the UK Chancellor, will today present UK proposals for European Monetary Union to fellow European finance ministers in Brussels.

The UK's resistance to rapid movement towards EMU has previously been a bone of contention. But with other European Community member states sharing some of the

UK's fears about the development of a two-tier Europe, and speculation of early UK entry to the Exchange Rate Mechanism, Mr Major may find himself in a stronger position.

Speculation of early ERM entry has fuelled sterling's rapid ascent this year. Foreign exchange markets are likely to reassess sterling today in the light of trade figures for June.

If these are favourable, the markets may once again test DM3.

The meeting of finance ministers will discuss a report from the EC monetary committee on EMU. In its first report in March, the committee said some members thought the interim stage could be dispensed with altogether.

The latest report is thought

to reflect the differences between member states which see the need for rapid progress on union and those, like the UK, which want a steadier transition.

Mr Major's proposals build upon the progress made in the European Monetary System, but to deflect pressure for rapid transition to a single European currency.

Judge's retirement leaves Bush facing election year dilemma

By Lionel Barber in Washington

PRESIDENT George Bush faces the most difficult domestic decision of his first term in office following the abrupt resignation of Justice William Brennan from the Supreme Court.

The struggle over Justice Brennan's successor already shows signs of turning into an election year issue, with conservatives and liberals each viewing Mr Bush's choice as a battle over the shape of the Supreme Court in the 1990s and the constitutional right to an abortion.

The US Constitution, the Supreme Court has the power to review and strike down federal and state laws. This gives the Court a decisive role in moulding all aspects of US society.

Mr Robert Dole, Senate Republican leader, described the Supreme Court nomination yesterday as "the toughest domestic decision President Bush has had to make since he's been President."

The resignation on health

grounds of Justice Brennan, 84, the liberal powerhouse who served for 34 years on the court, came on the day of Friday evening. It left the White House scrambling to draw up a short-list of successors.

Mr Bush, who has angered conservatives and fellow Republicans recently by abandoning his "no new taxes" pledge, is under pressure to stick to the trend of the 1980s when President Ronald Reagan's three appointments gave the Court a conservative tilt.

The departure of Justice Brennan offers the chance for a "permanent conservative majority" for the 1990s.

However, the White House appears anxious to avoid a bruising confirmation battle with the US Senate, particularly one which could revolve around the nominee's views on abortion and the Court's landmark Roe v Wade ruling in 1973 which established a woman's constitutional right to terminate her pregnancy.

As one senior Administration official said at the weekend: "The Democrats will try to use this to terrify millions of women on the issue of an abortion since anyone we nominate will arguably vote to overrule Roe v Wade."

Senator Robert Dole, Senate Republican leader, said abortion should not be a "litmus test" for the nominee, and he warned the White House: "If you have someone who wants to overturn Roe v Wade, it's going to be a bloodbath getting the nomination confirmed."

Mr Bush, whose public approval rating has shown signs of slipping in recent weeks, said he would decide quickly on his nomination based on merit. "You've got to take a little heat on controversy from time to time," said the President, "but I'm not predicting a controversial nomination."

The signs are that Mr Bush would like to nominate a Judge Continuum. Page 16

Liberal voice, Page 2

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Britain's police service, says Sir John Dellow, deputy commissioner, is going through a period of condemnation at a time when it is "very likely better led, better managed, cleaner and of higher integrity than it has ever been." Page 36

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Charting an icy route through the North-East Passage. Page 4

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Tunisia: moves to liberalise the economy.

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Southampton: the port is on the threshold of becoming an important European gateway.

FRIDAY:

Vehicles and the Environment: See panel, left.

FRIDAY: Vehicles and the Environment

As a large-scale energy consumer and a contributor to pollution, the world's motor industry has become a major focus of the debate over the environment.

NEW electric-powered car

developed in the US by General Motors, can accelerate from 0 to 60 mph in eight seconds.

FRIDAY: Vehicles and

INTERNATIONAL NEWS

E German coalition split over unification date

By Leslie Collitt in East Berlin

EAST Germany's coalition government hung in the balance last night because of differences over the timing of accession to West Germany and the holding of a joint election.

An attempt by Mr Lothar de Maizière, the Christian Democratic (CDU) Prime Minister, and parliamentary heads of the Social Democratic (SPD) and Liberal parties to end a bitter row over the date of accession was rejected by Liberal and SPD deputies.

Instead, they pressed for a vote in the Volkskammer (parliament) last night, with the risk of a split in the government.

Earlier a compromise appeared within grasp when the CDU and its coalition partners appointed the "German Unity" committee of the Volkskammer and the West

German parliament to settle the issues in dispute.

But Mr Rainer Ortleb, parliamentary leader of the Liberals, renewed a threat to take his party out of the coalition. Mr de Maizière has a majority even without the Liberals and the SPD, but needs their votes for the two-thirds majority required to pass important legislation.

A split loomed when the Liberals and SPD moved a resolution that East Germany's accession take place before All-German elections on December 2.

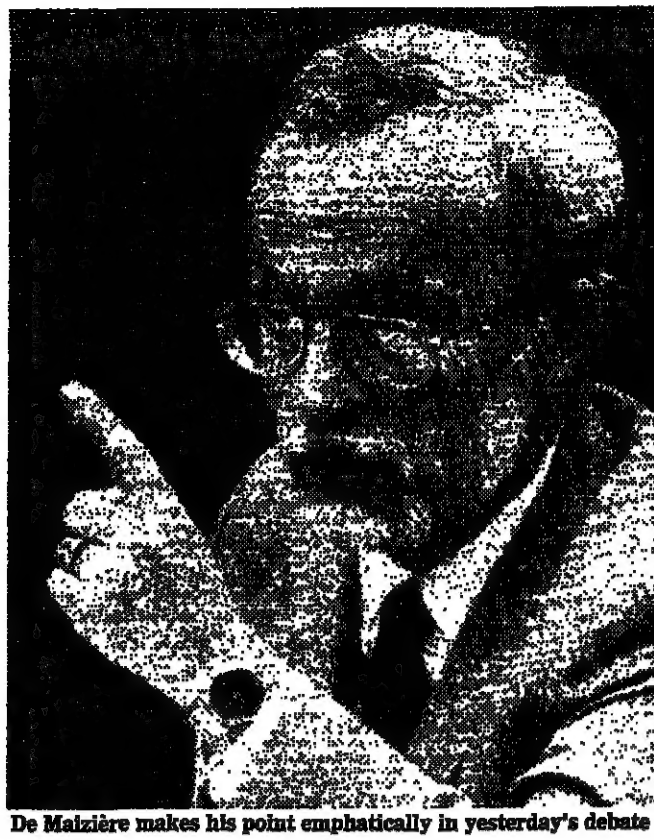
Mr de Maizière, on the other hand, insisted accession take place just after the elections. This is because the Bavarian Christian Social Union and its tiny East German counterpart, the DSU, are likely to fare worse in a joint election than in separate elections.

The DSU, in fact, may be wiped out if a joint election is held under the West German electoral rule eliminating parties which get less than 5 per cent of votes.

Significantly, Mr de Maizière was supported by the Communists, who also fear they will not survive an All-German election.

The conflict within the East German Government has also cast a shadow over the Bonn coalition. Mr Otto Lambrecht, head of the liberal Free Democrats (FDP), accused the East German CDU of endangering economic recovery and contributing to unemployment by seeking to delay accession until after separate elections.

The Volkskammer voted yesterday to restore the five Länder (states) of East Germany, abolished under the former communist regime.



De Maizière makes his point emphatically in yesterday's debate

Germany's parties play percentage politics

BEHIND the bed-tempered constitutional argument within East Germany's ruling coalition - over whether the all-German election in December should be regulated by a single, or by two separate, election laws - lies some brutal party political calculation.

Nothing less than the shape of the party political landscape in a united Germany is at stake, hence the passions that are being raised on East Berlin's otherwise rather homogeneous political stage.

The core of the argument is that if the West German 5 per cent rule (which requires parties to reach 5 per cent of votes cast before they can enter parliament) applies to East Germany, then many of East Germany's smaller parties will disappear.

This applies especially to those parties like the PDS (the former Communists) and the right-wing DSU which have not merged directly with West German counterparts and thus, arguably, carry a distinctive strain of East German life worthy of preservation. It applies, too, to the small left-wing groups, like Bündnis 90, run by the people who led last autumn's revolution.

The survival of these parties is likely to take most votes from the Social Democrats (SPD) and the Liberals (FDP). Therefore both groups are arguing vehemently that full political and legal merger must take place just before the all-German election, ensuring a single 5 per cent rule.

The SPD is, cynically, offering Bündnis 90 a few places on its election lists to protect itself from the argument that a single 5 per cent rule will wipe out East Germany's political heritage.

But equally cynically the Christian Democrats (CDU) in both Germanys have suddenly discovered a paternal feeling for groups like Bündnis 90, and even the hated PDS, because of the damage they will inflict on their main opponents the SPD.

The CDU-led West German Government says that the East German Government must decide whether it wants a single or divided elections law, safe in the knowledge that there is a clear majority for the latter option. There seems little way that the SPD can impose its will.

So the first all-German election is likely to produce a greater variety of smaller parties on left and right. But it

will also produce an even fatter middle.

That is because, almost unnoticed, the two big West German parties are being significantly changed by the last mergers now being arranged with their East German counterparts. The outcome is likely to be a leftward

David Goodhart on the significance of the constitutional dispute convulsing East Berlin

shift in the centre-right Christian Democrats and the opposite for the Social Democrats. "The East-CDU is much more Protestant and Liberal than the West-CDU, and that will certainly be to the benefit of the left wing in the party. You should also not forget that the East-CDU has grown out of an old bloc party [supporter of the old regime], says a West-CDU official.

He points out that the East German coalition, led by the East-CDU but including the East-SPD, has shown a high degree of consensus around

positions "that we in the west would call social-democratic".

Presiding over a giant depressed region all parties are happy to contemplate plenty of state intervention in the young market economy, and in foreign policy there is deep sensitivity to Soviet wishes and, even in the East CDU, the belief that NATO should be effectively dissolved.

The floundering East-SPD has not benefited from this consensus partly because of leadership failure but also because anything left of centre has suffered from association with the old regime.

Hence the East-SPD has had to prove its pro-market credentials to an extent that some West-SPD officials find rather alarming.

But the plain political problem for the SPD in both Germanys is that the CDU is shaping, so far successfully, the unity process, and every attempt by the SPD to get a lever on the process looks like selfish party manoeuvring.

Mr Chancellerie candidate recognised the problem of merely trailing behind the CDU but his remedy - threaten to block unity and then pray for maximum dislo-

cation when it comes - has made matters worse.

Unity is also creating problems for the FDP but that has less to do with politics and more to do with the fact that the East-FDP (another old bloc party) is several times bigger than the West-FDP and refuses to be pushed around. And the anti-unity West German Greens, who might disappear completely if a unified 5 per cent rule applies, are having trouble with their pro-unity counterparts.

Finally, the all-German centre-right has a potential embarrassment in the shape of the DSU - the East German sister party to Bavaria's subdued Christian Social Union (CSU). Some of the DSU's original leaders have left accusing the party of lurching to the right.

The DSU's dwindling strength (it polled 6.3 per cent in the March general election but far less in the local elections) is in the southern East German states, into which the CSU may be tempted to tread if the DSU disintegrates.

And if that happens it could re-open the simmering territorial argument between the CSU, which has hitherto kept itself to Bavaria, and the invincible-looking CDU.

Controls sought on US federal enterprises

By Peter Riddell, US Editor, in Washington

THE Bush Administration is seeking to include a far-reaching tightening in financial controls over US government-sponsored enterprises with potential liabilities of nearly \$1 trillion (million million) within the budget deficit reduction package under negotiation with Congress.

A limit on federal liabilities on home, farm and student loan guarantee funds is being sought to avoid a repetition of the hugely costly savings and loan rescue. The Treasury is urging that these funds should obtain triple A credit ratings without any implied federal guarantee.

The bipartisan budget talks are approaching a climax as President George Bush, pressing for a deal before the congressional recess in early August, has called daily meetings with the White House.

Senator Robert Dole, the Republican Minority leader, said yesterday that, while a deal was "not close", he thought there would be an agreement - even though Mr Bush's hope of securing congressional approval before the August recess was "probably not realistic".

The package is likely to amount to at least \$50bn in the first year and \$500bn over five years.

He indicated that the fierce row over raising income tax rates for the well-off to offset any cut in capital gains tax might be sidestepped. Senator Dole said this might enable the President to say he had not raised tax rates.

A compromise might involve limits on personal tax deductions for those in higher tax brackets (affecting mortgage interest expenses and relief for state and local income taxes), while capital gains tax may be inflation-proofed with no change in nominal rates.

He also suggested that the controversial plan for a tax on stock market transactions might be limited to 15 cents per \$100, rather than the 50 cents level initially discussed.

Some of the proposed \$25bn in additional revenue in the first year may come from a broad-based energy consumption tax, as well as higher excise duties on tobacco, alcohol and petrol/gasoline.

The White House is pressing for a balanced package including cuts in domestic spending and reform of the budget process as well as higher revenue.

In particular, the Treasury and the Office of Management and Budget want to tighten disciplines on agriculture in the capital backing of government-sponsored enterprises in the wake of the savings and loan debacle.

Under the Treasury plan these enterprises, including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, as well as various farm credit bodies, would either have to obtain triple A ratings or to produce a business plan designed to secure such a rating.

That might include limits on dividends, growth, debt issues, salaries, and financial leverage, as well as much strengthened Treasury powers to ensure compliance.

However, several leading congressmen have argued that these proposals should not be considered at the budget summit, but separately in view of their far-reaching implications.

Reservations have also been expressed by some of the affected bodies since new controls might push up costs for homebuyers.

Gorbachev seeks to protect unified Soviet economy

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev and his Prime Minister, Mr Nikolai Ryzhkov, have launched an urgent counter-offensive against plans by Soviet republics to set up separate banking systems, currencies and even customs services.

They have warned the leaders of the 15 republics, meeting in Moscow, that their plans could destroy any hope of a unified Soviet market, and result in even greater chaos in the economy.

At the same time they are proposing the outline of a new union treaty, to become the basis of a transformed Soviet federation, with each republic negotiating its own relationship with the centre.

The plans were put on Friday to the joint meeting of Mr Gorbachev's two new top-level advisory bodies: the federation council, and the president's council - but full details are only gradually emerging.

What was clear, however, was that Mr Gorbachev and Mr Ryzhkov both launched outspoken attacks on some of the projects now being drawn up for republican economic autonomy.

Inclusion of the Russian Federation and the Ukraine. The green light has simultaneously been given for negotiations to begin this week with the rebellious republic of Lithuania, which has agreed to suspend its declaration of independence for the duration of talks aimed at secession.

In so doing, Mr Gorbachev appears to have successfully divided the forces of the three Baltic republics, for Mrs Kazimiera Prunskiene, the Lithuanian Prime Minister, expressed her hope at the weekend that the negotiations

could be started and finished before any other republics began to talk.

On the other hand, the Soviet leader's urgent attempts to preserve some sort of unified Soviet economy in the face of demands for ever greater republican autonomy may have come too late to stop that process accelerating.

He told the joint meeting on Friday that the new union treaty, and the transition to a market economy, were two sides of the same coin. However it was essential not to disrupt the single economic organism but, on the contrary, to create and consolidate the all-union market by joint efforts," according to the Tass news agency report.

Mr Ryzhkov warned that the republican moves, which now include separate pricing policies in the Baltic republics, and a growing range of attempts to restrict inter-republic trade, "result in further chaos in the economy, and will aggravate the overall crisis which affects all of us."

"Hoping to find a way out of this isolation at the expense of their neighbours is not simply a mistaken view, but is positively dangerous because of the unpredictable consequences."

Mrs Prunskiene said that the draft union treaty "is based on the principle of a differentiated approach to the competence of each republic to dividing its competence with the union, and delegating its competence from below - from republics to the union."

However she said that she believed each republic should be given a free choice whether to sign the new treaty or not, thereby leaving the clear option of leaving the union.

Eleventh-hour bid to agree on farm reform

By William Duffell in Geneva

TRADE officials from Washington and Brussels flew into Geneva yesterday for a last-minute attempt to reach a compromise over farm reform.

Mr Yvonne Legras, the European Commission's director-general for agriculture, met Mr Julius Katz, deputy US Trade Representative, and Mr Richard Crowder, Under-Secretary at the US Department of Agriculture, yesterday evening.

Also there was Mr Aart de Zeeuw, chairman of the group negotiating on agriculture in GATT's Uruguay Round. Despite an understanding on agriculture reached at the Houston summit of the seven big industrial powers, the EC and the US remain deadlocked over the programme for negotiating global reductions in farm supports presented by Mr de Zeeuw.

The Trade Negotiations Committee (TNC), the Round's governing body, is due to start a week-long assessment of the state of the trade-liberalising talks this afternoon.

Mr de Zeeuw has called a meeting of agricultural negotiators earlier in the day, hoping that by then the US-EC dispute will have been resolved. Failure to settle the farm conflict could bring the whole Round to a halt.

The toughest issue is the EC's insistence that reductions in three key areas - export subsidies, border protection and internal supports - must

be tied to an aggregate measure of support (AMS).

The US wants a specific commitment from the EC to cut in export subsidies and acceptance that, as set out in its 1990-1991 paper, the cuts should be larger than in the other two areas.

Other reservations listed by the EC last week have angered the Americans, who charge the EC Commission with backtracking from the Houston understanding.

Meanwhile, another potential crisis over talks on trade in services, has been averted. There was consternation last week when a draft framework agreement proposed by Mr Felipe Jaramillo, chairman of the services group, emerged with a blank page under the heading "coverage".

Washington had insisted on retaining its control over some sectors, such as shipping and civil aviation, from the agreement.

The US now agrees that in the draft Mr Jaramillo will present to the TNC under his own responsibility will be an agreement stating the agreement concerning "trade in all services sectors".

However, in a footnote to an introductory letter, identifying issues that need to be settled urgently, Mr Jaramillo will note that some delegations believe that countries "could have the right to exclude sectors".

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)

	Jun '90	May '90	Apr '90	Jun '89	% change over previous year
US	120.8	120.1	119.8	115.4	+4.7
Japan	107.8	107.5	107.9	105.5	+2.2
Germany	106.8	106.7	106.5	104.4	+2.3
UK	133.9	133.4	132.2	129.0	+9.8
France	116.0	115.8	115.5	112.5	+3.1
Netherlands	110.3	110.2	110.2	107.1	+3.0
	103.1	103.2	103.2	100.9	+2.9

Source: (except US) European

Freer global satellite links closer

By Hugo Dixon

PROSPECTS for a freer global satellite communications market improved last week following initiatives on both sides of the Atlantic.

European Community governments reached preliminary agreement on the need to free up the market, although disagreeing on how far liberalisation should go. US telecommunications authorities were urged to extend their "open skies" policy from the domestic to the international arena by lifting restrictions on private satellite systems.

Development of private satellite communications has been slowed by a maze of restrictions designed to protect monopoly positions of the world's phone companies and the satellite clubs - the International Satellite Organisation (Intelsat) and the European Telecommunications Satellite Organisation (Eutelsat) - which they jointly own.

Users want the flexibility and potentially cheaper telecommunications services that satellites offer. But the phone companies are fearful their public networks could be bypassed if businesses were free to install small satellite dishes on roofs for communications.

Pan American Satellite, one of Intelsat's competitors, appealed to the US Federal Communications Commission to remove its ban on private satellite operators offering services connected to the public network. The company said the restriction, which was imposed at the request of Intelsat, denied it access to 90 per cent of its rival's market.

Meanwhile, at a meeting in Brussels to consider European Commission proposals to liberalise the market, almost all Community governments accepted the need for some policy easing. The Commission's proposals, which balance conservative and liberal views within the Community, attempt to promote satellite communications for private networks while protecting telephone companies' monopolies over the basic phone service.

The UK and West Germany supported the Commission's approach, but France argued that stronger safeguards were needed to protect the basic phone monopoly.

The meeting was described as positive, paving the way for the Commission to publish its proposals in October.

Commission simplifies merger control rules

By Lucy Kellaway in Brussels

THE European Commission has simplified plans for implementing its merger control regulation, in response to pressure from large companies and member states.

The Commission will approve this week a shorter notification form - the document that all merging companies will have to fill in - allowing the new system to start on its September 21 target date.

Under the merger regulation, agreed last December after 17 years of difficult negotiations, Brussels will have sole authority to permit or to block mergers in the Community with a combined turnover in excess of Ecu5bn (\$3.5bn).

The notification form provides all the information the Commission will need to decide whether or not to permit a merger.

The Commission's original plans for the form were complicated and inflexible, and would have involved companies submitting information to which they had no easy access.

Businessmen and lawyers felt it would put a heavy burden on them and would make the whole system of merger control a shambles.

The new form is shorter and companies can ignore entire sections of it if they can prove the questions are irrelevant to their takeover.

Companies will not have to provide exhaustive details of market shares in particular countries if they do not affect the competitive balance of that bid.

The requirements for conglomerates have also been simplified so that companies will no longer have to supply full details of activities and cross ownership of every related company.

The form will be reviewed after a year. Although the final draft does not appear to have the wholehearted support of business, most agreed it was a significant advance from the earlier version and should provide the basis for a workable system.

UK officials said they were braced for a de-merger or liquidation, which would be registered at the time of the takeover, would be collected until the capital gain was actually realised through a de-merger or liquidation.

With current problems and current needs.

EC ministers to finalise removal of tax barriers

By David Buchan in Brussels

THREE of the tax hurdles to cross-border activities between EC companies will be removed today when Community finance ministers formally pass into law measures which have been two decades in the making.

The three measures, on which ministers reached basic agreement last month, will: remove withholding taxes paid on dividends passing from subsidiaries in one EC state to parent companies in another Community state.

But Germany, which taxes distributed earnings - such as those passing to foreign parent companies - at a higher rate than those profits staying undistributed in the federal republic, is allowed to levy a withholding tax, halved to 5 per cent, until 1996.

Defer any capital gains tax that is later levied on a company in one EC state being taken over by a company in another EC state.

The tax liability, which would be registered at the time of the takeover, would be collected until the capital gain was actually realised through a de-merger or liquidation.

Thus, a tax barrier to cross-frontier takeovers between EC companies will be removed while leaving governments assured that companies would not escape their tax jurisdiction scot-free.

● Oblige EC states to settle, through an arbitration convention that the Twelve will sign today, disputes arising out of transfer pricing in inter-group transactions.

To give a hypothetical example of such a dispute, when Ford of Germany sells cars to Ford of the UK, the German tax authorities might complain the cars are being sold too cheaply (reducing taxable profits in Germany), or Britain's Inland Revenue might complain that too much is being paid for the cars (reducing taxable profit in the UK).

However, EC finance ministers are not expected to make any real progress today when they discuss indirect tax issues, such as value-added tax collection post-1992, excise duty approximation and the amount of tax-paid goods travellers can take across internal EC borders.

Eisenhower said: "Yes, two, and they are both on the Supreme Court," referring to Justices Brennan and Warren.

What became known as the "Warren Court" was in fact the "Brennan Court". For it was Justice Brennan, the gregarious Irish-American, ever insistent on being called "Bill" by colleagues, friends and strangers alike, who for many years remained at the centre of gravity. Sometimes, particularly in the 1960s, he found himself to the right of more liberal justices such as William O. Douglas and Hugo Black; more often he was leading the charge.

In the past decade the balance of power has shifted to the right, partly reflecting the shift in political mood in the US but more directly because of President Reagan's good fortune of being able to make three new appointments to the bench. Thus Justice Brennan has seen many of his 1,200 opinions eroded, and his own legacy denounced as one of "radical egalitarianism".

Yet his legacy will probably live on for some time. His views have penetrated the minds of a generation of students, law scholars and judges. Moreover, as President Reagan discovered to his cost in 1987, when the Senate overwhelmingly rejected the nomination of Judge Robert Bork, the country does not appear to be ready for a cast-iron conservative who will overthrow the Warren/Brennan Court in its entirety.

Liberal voice of the US Supreme Court

Justice Brennan often led the charge into controversial areas, writes Lionel Barber

THE RETIREMENT of Justice William Brennan from the US Supreme Court removes the powerhouse behind many of the judgments of the past 30 years, a period when the court acted as an important liberalising force in American society.

In his 34 years on the bench, Justice Brennan helped to establish the principle of "one man, one vote", the constitutional right of a woman to have an abortion; affirmative action programmes for minorities and protection for welfare recipients and prisoners. He was an opponent of the death penalty and an advocate of freedom of speech under the First Amendment.

Under the separation of powers guaranteed by the US Constitution, the Supreme Court has the power to review and strike down state and federal law which gives the Court a decisive role in shaping the course of the country. This was the case in the 1950s and 1960s when the Court entered areas where many politicians feared to tread. On desegregation the Court virtually single-handedly took on segregationists in the South by opening up public schools and universities to blacks, paving the way for civil rights legislation under President Lyndon Johnson.

In more recent years, however, the moral authority which the court gained during the civil rights era gave way to public suspicion that the justices were

exceeding their brief. Critics, many of a conservative hue, argued that the likes of Justice Brennan were guilty of social tinkering by intruding into areas which should be decided at the ballot box and in the legislatures.

Thus, court-mandated decisions on busing as a means of racially integrating schools proved highly unpopular (particularly in the North). Affirmative action for minorities, which drew praise in the 1960s, unleashed a flood of court challenges in the next two decades as whites complained about reverse discrimination and "job quotas" for blacks. And the constitutional right to an abortion - as set out in the landmark 1973 Roe v Wade ruling - proved bitterly divisive.

Mr Irving Kristol, the conservative thinker, summed up dissatisfaction with the Court's "judicial activism" and its failure to stick to a "narrow" reading of the Constitution: "We have reached the stage where a young girl has a constitutional right to perform an X-rated movie, provided she is paid the minimum wage."

Justice Brennan remained unapologetic. "We current justices read the Constitution in the only way we can: as 20th century Americans. The genius of the Constitution rests not in any static meaning it might have had in a world that is dead and gone, but in the adaptability of its great principles to cope

with current problems and current needs."

It is probably fair to say that Justice Brennan's own modest background helped fashion his judicial philosophy, best captured by his remark that the Bill of Rights was not merely a collection of words but "an arsenal for achieving human brotherhood."

William J. Brennan Jr was born in Newark in 1906, second oldest of eight children of Irish immigrant parents. His father was a coal heaver in a brewery who became a union leader, a Democratic party official and a police commissioner. Brennan Jr, who won a scholarship to Harvard, studied under Professor Felix Frankfurter (a subsequent Court appointee) and went on to private practice in New Jersey. He joined the state Supreme Court in 1952.

Justice Brennan was appointed to the Supreme Court in 1956 by President Dwight Eisenhower who, much impressed by John F. Kennedy's strong showing at the Democratic convention, thought the idea of appointing a Catholic to the bench might prove a politically popular move. Later, the Republican president was shocked to discover he had appointed another liberal to bolster Chief Justice Earl Warren.

Asked if he had made any mistakes while at the White House, President

Zambians take multi-party step

PROMINENT pro-democracy campaigners in the Zambian capital of Lusaka this weekend elected a steering committee to fight for the end of two decades of one-party rule, writes Mike

The committee immediately called for the fresh registration of voters, saying it would take legal action if the Government refused to re-open voter rolls to allow more people to participate in the October 17 poll.

Mr Arthur Wina, a former finance minister and businessman, was elected chairman of the newly-formed national interim committee for the re-introduction of multi-party democracy.

Mr Frederick Thiluba, head of the Trade Union Congress, led his deputy.

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INTERNATIONAL NEWS

Egypt moves to defuse Iraqi row with neighbours

By Max Rodenbeck in Cairo

MR TAREQ AZIZ, Iraq's Foreign Minister, repeated criticism of Kuwait and the United Arab Emirates (UAE) after talks with Mr Hosni Mubarak, the Egyptian President, yesterday. But officials and foreign diplomats in Cairo are optimistic a rift caused by angry Iraqi charges that over-production had sent oil prices plummeting earlier this year can be healed. Efforts to mediate in the Iraqi dispute and a separate rift between Egypt and the Palestine Liberation Organisation (PLO) are expected to head the agenda during a surprise meeting between Mr Mubarak and King Hussein of Jordan, due to be held in Alexandria today. Mr Aziz is also expected to attend.

In an apparent reference to the Gulf oil-producing states of Kuwait and the UAE, Mr Aziz said: "We are not threatening anyone. They are the ones threatening us."

But the Egyptian president, echoing the sentiments of other Arab leaders, described the dispute between Iraq and the Gulf states as "a cloud which will pass over".

Mr Mubarak is believed to have asked Iraq to tone down its belligerent rhetoric. Iraq has accused Kuwait of "stealing" \$2.4bn (£1.3bn) worth of

its oil and "paving the way for foreign powers to intervene in the region".

Mr Aziz's visit appears to have ended a row between Iraq and Egypt, sparked off earlier this week by critical remarks attributed to the Iraqi minister.

He and Mr Yasser Arafat, the PLO leader, criticised Egypt's absence from a conference of Arab foreign ministers held in Tunis last week, drawing sharp reactions from the Egyptian press.

Iraq's official media yesterday fanned the flames of the confrontation with Kuwait, with one paper calling on Kuwaitis to denounce their ruler, AF adds from Baghdad.

Mr Sadek Bousenna, Opec president, said the organisation would leave current oil output quotas largely unchanged at its meeting in Geneva on Thursday and would work to boost oil prices above \$18 a barrel, Reuters reports from Algiers.

He told the London-based Arabic daily newspaper al-Hayat in an interview to be published today that Opec would set an oil output ceiling of 22.5m barrels per day, less than average projected demand for Opec oil for the rest of the year.

Iran attempts to mediate in south Lebanon fighting

By Lara Marlowe in West Beirut

INTENSE fighting continued yesterday in the Hizbollah-held village of Jarjou in southern Lebanon despite attempts by the Iranian embassy in Beirut to mediate a ceasefire.

The battles, which killed at least 51 people and wounded 125 others over the weekend, followed a failed assault early on Saturday by the Syrian-backed Shia Moslem Amal militia and its allies in the Palestine Liberation Organisation. Jarjou is a few miles north of Israel's self-declared security zone in southern Lebanon.

The pro-Iranian Hizbollah seized the hilltop village from

Israel sets out to probe the extent of EC's disapproval

By Hugh Carnegie in Jerusalem

THE relationship is under stress, says a senior Israeli official. "The mood has got a bit rough," echoes a European Community diplomat.

Just how strained ties between Israel and the EC have become will be tested today when the EC's "troika" of foreign ministers - those of current Commission chairman Italy, Ireland and the predecessor and Luxembourg the successor - meet Mr Yitzhak Shamir, the Prime Minister, and Mr David Levy, his Foreign Minister.

The brief visit, arranged in Jerusalem because Mr Levy is recovering from a heart attack, is the first since EC leaders voiced outspoken concern about Israeli policy in the occupied territories at the Dublin summit.

It also has a broader aspect than just Israel-EC relations. It represents

the highest level face-to-face contact Mr Shamir and Mr Levy have had with western ministers since their controversial right-wing coalition was established in June.

To Mr Shamir's consternation, his Government's relationship with its chief ally, the US, has been markedly cool. Aside from an unexpected meeting last Friday between Mr Moshe Arens, the Defence Minister, and Mr Richard Cheney, the Secretary of Defence, even customary telephone contact has been replaced by exchanges of letters.

It was announced at the weekend that Mr Levy will see Mr James Baker, the Secretary of State, in Washington in August. In the meantime, Israel suspects that the EC troika is acting as something of a

stalking horse for Mr Baker in probing how far Jerusalem is prepared to go to revive a stalled US-backed formula for starting Israeli-Palestinian talks on the occupied territories.

The suspicion looks well-founded. EC officials acknowledge that today's visit has been co-ordinated with the State Department. This is worrying to Israel because of the fear that Washington - if it felt its peace moves were being frustrated by Mr Shamir - might move closer to the stance of the EC, which supports convening of an international conference on Middle East peace with participation by the Palestine Liberation Organisation.

Such a possibility still looks far off. But even without the US dimension, Israel is showing signs of concern about EC policy towards it, which

until recently it tended to play down. Worries about Israel's trading position within the EC - its most important export market - after the 1992 internal market reforms take effect, and the fear that the Community will use economic means to achieve political ends have altered the picture.

An immediate issue is the Commission's intention, mandated by the Dublin summit, to appoint a representative to the territories to oversee the sharply increased levels of direct EC aid to the Palestinians - set to double to Ecu12m (£8.25m) a year by 1992. Israel is insisting the representative's status will not amount to a permanent EC office in the territories.

EC concerns about human rights violations in the West Bank and Gaza will figure highly in the talks, with

Mr Levy complaining of unfair treatment by the EC compared to its relations with Arab states.

He will object particularly to actions by the Community linking political and economic issues. Late last year the European parliament called on the Commission to halt scientific co-operation projects in protest at events in the West Bank and Gaza. The Commission did not do so but, in a pointed warning of how things might develop, it cancelled a visit to Israel by Mr Abel Matutes, the EC commissioner for Mediterranean Affairs.

EC officials also say that Israel's wish to upgrade its near-free trade agreement with the Community in the wake of 1992 is bound to be affected by political considerations.

Accountants put down markers across the Channel

Anglo-Saxons are competing more vigorously for opportunities on the Continent, writes David Waller

THE British are coming! This was the UK film industry's battle-cry as it made its assault on Hollywood. Now the cry is being taken up by UK accountants as they launch themselves vigorously into continental Europe's undeveloped markets.

Of the 300,000 qualified accountants in EC and EFTA countries more than half work in Britain. Increasingly, they and their firms are turning their sights to the Continent.

This month, for example, the 86,000-strong Institute of Chartered Accountants in England and Wales (ICAEW) held its first overseas conference in Brussels. Although delegates numbered only a few hundred, the conference was of symbolic importance: the century-old organisation is the biggest professional accountancy body in Europe and perhaps the most influential in the world.

The manoeuvring of big international accountancy firms is likely to have more direct impact on the European profession. With varying degrees of success and efficiency, the so-called Big Six and medium-sized firms below them have been jostling for position on the continent, experimenting with management structures and forging and unforaging alliances.

It would be wrong to paint the large firms as strictly British institutions: local laws and fiscal requirements mean they

are all federations of national firms with varying international coherence. Some are more federal than others - Coopers & Lybrand and KPMG Peat Marwick like to stress the importance of giving free rein to strong national firms. Others, like Arthur Andersen and Price Waterhouse, are more tightly run from the centre.

Yet however local the flavour of individual organisation, the firms offer an Anglo-Saxon approach to professional services which is often at odds with the business culture of the countries where they operate.

They are beginning to compete aggressively in markets where there has traditionally been a dearth of competition - for example, auditing - and are happy to apply the same vigorously commercial tactics to markets traditionally handled by other professionals. One example is tax advice, preserve of lawyers in many continental European countries.

"We are driven by the needs of our multinational clients," says Mr John Bullock, chairman of Coopers & Lybrand's 30,000-strong European firm. "Clients want the same range of service on the continent as they get in the UK, delivered to the same high professional standards."

"It is a question of matching the UK's massive resources to the massive market on the continent," observes Mr Howard



Hughes, PW's managing partner. "On the continent, the profession is not developed to the same degree as it is here. In the end, we will produce more resources than we can possibly deploy in the UK market."

Another reason for the onslaught is that, apart from Asia, continental Europe is the last great undeveloped market for international accountancy firms. In the US, accountancy business is mature if not stagnant; in the UK, some form of cyclical slowdown is expected after a decade of unprecedented growth.

Virtually all markets which big firms serve in the US and the UK are "immature" on the continent and ripe for exploitation. This applies as much to the staple business of auditing

as to other activities into which which firms have successfully ventured, including management consultancy, tax advice, corporate finance and insolvency services.

Take auditing: only 67 per cent of Europe's larger listed companies are audited by Big Six firms, against 87 per cent in the US. The big firms hope to detach these companies from local auditors to win a permanent source of income while opening opportunities for other more profitable services.

Among other services, consultancy probably offers the biggest prize. Much of the firms' growth in the UK in recent years has come from information technology consultancy. This fast-growing market, worth an estimated \$1.5bn in 1989 in the UK alone, is less developed in many continental countries.

East Europe also beckons. Though the firms are at present probably making little money out of the privatisation projects they are handling in the east, all are keen to establish themselves there.

The potential is reflected in Price Waterhouse's performance since it took steps to bring its continental and UK firms closer in October 1988: staff has grown from 8,500 to 15,400 (partly through merger); revenues from consulting have doubled, while in tax and auditing they are up 60 and 50 per cent respectively. The firm

predicts it will double staff in Europe, including the UK, over the next two years.

While the EC's single market programme is opening opportunities, it is also creating uncertainties and problems for big international accounting firms: The Commission has commissioned an independent report on competition effects of last year's round of mergers between the firms; adverse findings could prompt an unscrupling of firms' recent alliances.

Much EC legislation - specifically the fourth, seventh and eighth Company Law directives - has assisted international firms by promoting harmonisation of accounting and auditing standards on the basis of international principles. But some Brussels-inspired legislation may be unwelcome. For example, the draft fifth Company Law directive proposes that auditors be rotated every 12 years.

Furthermore, Mr Geoffrey Fitchew, head of the Commission's financial services directorate, indicated at the ICAEW conference that the Commission was likely to take steps to guarantee auditors' independence. This could mean a complete separation of auditing from consulting and other types of business, as well as the rotation of audits.

The firms are unlikely to welcome either move. Italy introduced similar laws nine

years ago, with the result that the Big Firms complain it is very difficult to do business in one of the EC's more vigorous economies.

The Commission is formally committed to a single market in financial and professional services; but in most cases member states are left to regulate their own professions. The big firms complain that local rules discourage competition: in many countries, firms cannot practise under their international names and in only four of the Twelve can accountants advertise.

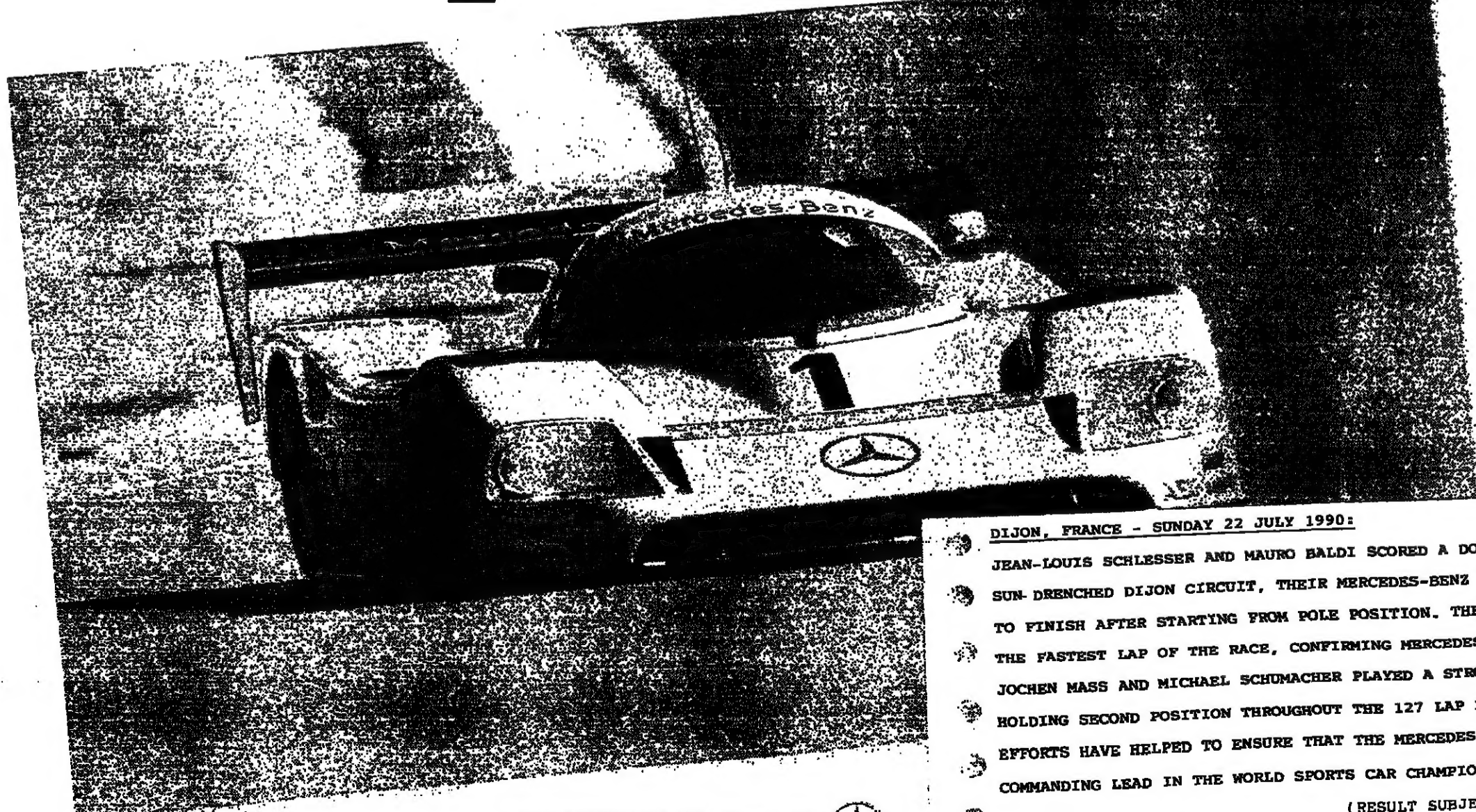
A forthcoming directive on mutual recognition of professional qualifications may make it easier for individual accountants to practice in different countries, but it is unclear whether there will be liberalisation of what firms themselves can do.

These hurdles should not, however, prove insuperable for the international firms, which have unrivalled technical resources and successfully adapted to rapidly-changing international markets.

Their biggest challenge is unlikely to be a shortage of opportunities, but organising themselves to exploit them fully. Merger activity in the industry last year underlined the inherent instability of the federal structure of the big firms and the weakness of the links between their practices in different countries.

MERCEDES-BENZ

1ST AND 2ND



DIJON, FRANCE - SUNDAY 22 JULY 1990:

JEAN-LOUIS SCHLESSEY AND MAURO BALDI SCORED A DOMINANT WIN AT THE SUN-DRENCHED DIJON CIRCUIT, THEIR MERCEDES-BENZ LEADING FROM START TO FINISH AFTER STARTING FROM POLE POSITION. THE WINNING CAR SET THE FASTEST LAP OF THE RACE, CONFIRMING MERCEDES SUPERIORITY. JOCHEN MASS AND MICHAEL SCHUNACHER PLAYED A STRONG SUPPORTING ROLE, HOLDING SECOND POSITION THROUGHOUT THE 127 LAP EVENT, AND THEIR EFFORTS HAVE HELPED TO ENSURE THAT THE MERCEDES TEAM NOW ENJOYS A COMMANDING LEAD IN THE WORLD SPORTS CAR CHAMPIONSHIP.

(RESULT SUBJECT TO CONFIRMATION)

ENGINEERED LIKE NO OTHER CAR
IN THE WORLD



INTERNATIONAL NEWS

Australia to investigate practises in wool market

By Kevin Brown in Sydney

THE Australian Government yesterday moved to end speculation over the floor price for the world's biggest wool industry by announcing an inquiry into pricing and marketing arrangements.

Mr John Kerin, the Primary Industries Minister, said the inquiry would be headed by Sir William Vines, a former chairman of the Australian Wool Corporation (AWC), which operates the floor price scheme.

Mr Kerin foreshadowed an inquiry into the industry in May, when he announced a cut in the floor price from A\$8.70 (\$11.04) per kg to A\$7.70 per kg, against the wishes of both producers and exporters.

"The floor price is the threshold for intervention by the AWC, which has built a stockpile of nearly 3m bales of wool following a long period of over-production."

Mr Kerin said the inquiry would examine the role of stockpiling in price stabilisation, the mechanism for setting the floor price, and the role of the International Wool Secretariat, which is based in Leeds, in the UK.

Cossiga orders probe of CIA terror role

ITALIAN President Francesco Cossiga has called for an investigation into allegations the CIA was behind a wave of terrorist outrages in the country in the 1970s, Reuters reports from Rome.

The allegations were made earlier this month in a state television broadcast by a man called Dick Brenneke, who said he was a former agent of the CIA.

"The gravity of the statements broadcast rests above all in the affirmation that the CIA triggered off the terrorism of the 1970s in Italy through the P-2 Masonic lodge," Cossiga said in a letter to the Prime Minister, Mr Giulio Andreotti. Cossiga's office released the letter on Sunday after widespread newspaper leaks.

Mr Brenneke alleged that P-2, a powerful Masonic lodge exposed in 1981, was still active although it had been banned.

Saudi recognises Peking and deals blow to Taiwan

By Peter Wickenden in Taipei

TAIWAN's foreign policy was dealt a severe blow at the weekend as Saudi Arabia, its last ally in the Middle East, recognised Peking as China's only legitimate government.

In an indignant statement Mr Frederick Chien, Taiwan's Foreign Minister, accused Peking of buying Riyadh's favour with discounts on missile deals.

Last year Peking accused Taipei of luring small developing countries with promises of development loans. Peking has succeeded in isolating Taiwan internationally to the point where only 27 countries now recognise the island's national government.

Of these all are insignificant except South Africa and South Korea. Seoul has distanced itself from Taiwan and will probably be the next to switch recognition to Peking.

During four decades of formal ties, Taipei and Riyadh have co-operated on a number of agricultural, medical, scientific and infrastructure projects. These are likely to continue with future meetings between low-ranking officials. Riyadh is expected to set out

the level and nature of future ties in a meeting this week with Mr Edward Kuan, Taiwan's ambassador to Saudi Arabia.

Mr Assad Abdul Aziz al-Zahr, the Saudi ambassador to Taipei, said yesterday that the break in formal relations amounted to little more than a change of name for Taiwan's embassy.

Taiwan's state-run Chinese Petroleum Corp will continue to buy the bulk of its crude oil from Saudi Arabia, but the company will make no further investments there.

Compounding the impact of Saudi Arabia's perceived "desertion" are moves toward Peking by several Asian countries that do not now have embassies in either China or Taiwan.

These include Indonesia and Singapore, whose President Lee Kuan Yew has visited Taiwan at least 15 times.

Academics in Taipei blame successive setbacks in the country's foreign policy on the government's muddled stand toward China. They have called for official contact between Taipei and Peking.

Taiwanese businessmen boost investment abroad

By Peter Wickenden

APPROVED outward investment by Taiwanese businessmen in the first half of this year reached \$730.13m (\$401.2m), a 54.7 per cent gain on last year's corresponding period.

As most businesses do not report their activities for tax reasons, the total figure is routinely believed to be seven to 10 times the approved amount. The capital has gone mainly to the US, with Malaysia, the Philippines, Indonesia, Thailand and China among the biggest recipients in Asia.

The Investment Commission, which reported the figures, said finance and insurance had featured prominently in recently approved cases, as had acquisitions of foreign companies to gain high technology.

Taiwan attracted invest-

ment from foreigners and expatriate Chinese worth \$1.53bn to the end of June, an 8.7 per cent rise on the first half of 1989. This focused principally on chemicals, trading, finance and insurance, electronics and service industries.

The commission noted that of expatriate Chinese investment in Taiwan, 62 per cent came from Hong Kong and the Philippines. This suggested that Taiwan's investment climate is still seen as relatively secure.

Japan, the US and Europe accounted for the majority of other investment in Taiwan; most of their projects being associated with high-precision manufacturing. Taiwan is presently changing its range of incentives to encourage high technology and capital-intensive inward investments.

Tamil Tigers bomb cuts off Jaffna peninsula

By Mervyn de Silva in Colombo

TAMIL TIGER separatist guerrillas have destroyed the Elephant Pass causeway, the only link between the Jaffna peninsula, the Tamil "homeland", and the remainder of Sri Lanka.

An army spokesman said there was little doubt that the blowing of the causeway was a pre-emptive move against an expected attack on Tiger strongholds in the north.

"We will have to send our men and material by sea and air, and that is both time-consuming and costly," Major General Denzil Kobekaduwa, the northern commander, said.

"The next 10 days will decide the fate of the Tamil Tiger military machine," he added.

Defence officials in Colombo suggest the Tigers' intention may have been to force refugees fleeing fighting in Jaffna City to cross the narrow Plak Straits to the south Indian state of Tamil Nadu.

The Colombo Government has set up refugee camps on the peninsula for civilian families fleeing Jaffna City, parts of which have been under continuous bombardment in an attack designed to free 250 Sinhalese soldiers under siege in an old fort.

Refugees will now be unable to leave the peninsula but will flee instead to Tamil Nadu in fishing boats. This may prompt Indian intervention, the Tigers hope.

Up to 25,000 Tamil families have already fled Jaffna City and the Indian Government has expressed "deep concern" over the exodus.

Security forces yesterday unveiled scores of decaying bodies half-buried in the eastern Sri Lanka bush and said they were policemen abducted and killed by Tamil Tigers.

The guerrilla group ended 13 months of peace talks on June 11 and seized about 1,000 policemen, most of them from the majority Sinhalese community. Tamil policemen were freed and some others escaped, but the government said 630 were missing, believed dead.

Government forces yesterday estimated there were between 150 and 200 corpses in the mass grave.

The army is fighting to regain control of the rest of the region from the LTTE.

Economic estimates 'misled' Lawson

By Rachel Johnson

EARLY ESTIMATES of demand and economic activity in the year 1986-89 gave the Government "misleading indicators," an article in the first issue of Treasury Bulletin states today.

According to the centrepiece article by Mr Jim Hibbard of the Treasury's economic forecasting and analysis division of official statistics, the estimates "clearly underestimated the buoyancy of the economy."

This underestimate is thought to have misled the then Chancellor, Mr Nigel Lawson, into unleashing consumer spending power with his tax-cutting Budgets.

At the time of the 1988 Budget, initial estimates of growth of domestic demand in 1987 understated the latest estimates by no less than 2.25 per cent, the bulletin states.

Another contributing factor was the unprecedented, unpredictable shifts in behaviour by the personal sector.

The problems with the statistics are "complex and interrelated," the Bulletin says. However, the problems for most

urgent attention were: the different measures of gross domestic product, which were "incoherent"; the data on domestic demand, which suffer "substantial and frequent revisions"; and the "inconsistencies" of the national and financial accounts.

Since 1987, the inconsistencies in national accounts - the GDP series - widened "to unacceptable levels." The measure known as GNP(E), the sum of all the expenditure in the economy including consumer spending, was "persis-

tently wayward." At one stage it lagged 5.5 per cent below the measures for output and income, thus giving a distorted picture of the strength of the economy. The Central Statistical Office has been forced to reconcile the three measures with what Mr Hibbard describes as "judgmental revisions."

"The Treasury has announced that it is carrying out a review of the balance of payments statistics in preparation for the single European market in 1992."

Societies' better margins since cartel's end

By Anthony Robinson, Economics Staff

BUILDING society interest rates have usually been higher than market interest rates since the old cartel arrangement was abolished, according to a study of building society deregulation in the Treasury Bulletin.

The study also found that societies had improved their margins in the face of increased competition from banks and other financial institutions in the mortgage lending market.

The erosion of their former ability to raise funds for lending at below market rates has

been one of the main consequences of the ending of the cartel system whereby both the mortgage rate and the share deposit rate were "recommended" by the Building Societies Association.

It was a system, the bulletin noted, in which "the borrower lost out through delays in getting a mortgage and a general lack of flexibility about the product on offer but probably gained through paying a rate of interest on average below the market clearing rate."

Once the old scheme ended, however, mortgage rates rose

to around market clearing levels and were nearly always above base rates until mid-1988. But since then mortgage rates have been below base rates for substantial periods.

Another consequence for the societies was the entry of banks into the mortgage market. Up to one third of net new lending came from this source in 1982 and 1987. Non-bank financial institutions, including insurance companies, accounted for 16 per cent of new lending in 1987 when the societies' share of the market fell to around 50 per cent.

Since then, the societies have climbed back to account for 73 per cent of new mortgage lending in 1989. In that year non-bank financial institutions share fell to a mere 3 per cent.

The bulletin forecasts that "competition between banks and building societies will increase." The bigger societies in particular are expected to move towards becoming full service retail financial institutions, competing with the banks over the whole range of retail financial services.

Treasury Bulletin, HMSO, £5.50.

Companies responding to 'green' issues says IoD

By John Hunt, Environment Correspondent

COMPANIES are changing the way they do business to take account of increased concern for the environment, according to a survey by the Institute of Directors.

Many of them also believe that the need to deal with pollution will result in increased costs and lower turnover.

But Mr Peter Morgan, director general of the IoD, said: "Increasing awareness of the environment should be seen by business as an opportunity rather than a threat."

In a survey of institute members 49 per cent said that their board's activities have changed over the past year to reflect the growing environmental concern. In addition, 43 per cent claimed that their company had a specific environmental policy while 21 per cent said they had a person directly responsible for environmental matters.

Some 54 per cent expected that increased environmental legislation and regulation would raise costs associated with their businesses. Only 25 per cent thought that such legislation would raise turnover.

However, Mr Morgan pointed out that new business opportunities were opening in environmental areas such as waste disposal, water purification and recycling.

He said: "Environmental protection will provide existing business with benefits such as cost savings from increased energy efficiency."

He added that all business will ultimately have to become more environmentally aware in response to public concern. Companies looking at their practices now and adapting them to take the environment into account were making a wise investment.

Increase in N Sea output reported

By David Thomas, Resources Editor

THE UK's North Sea oil output increased by 14 per cent to 1.881m barrels a day in the first half of 1990 compared with the same period of 1989, according to the latest report from James Capel's petroleum services department.

The report, published today, attributes the increase to the lack of big incidents such as the Brent pipeline shutdown that disrupted output last year.

James Capel forecasts that the overall oil output in 1990 from the UK sector of the North Sea will average 2m b/d. Nevertheless, compared with May, June's output fell by 62,000 b/d, equivalent to 3 per cent, to 1,828m b/d.

James Capel blames a decline in production from the Shell-operated Brent field, which was not fully offset by increased output from fields such as Ocelladale's Claymore field.

Total output from all national sectors of the North Sea increased by 13 per cent to 3,677m b/d in the first half of 1990. James Capel is predicting an average output of 3m b/d for the whole year.

In addition to the UK, Norway accounted for the great bulk of this increase. Norway's output increased by 10 per cent to 1,617m b/d in the first half. James Capel is forecasting an average Norwegian output of 1.7m b/d for the year.

Tourism chiefs consider impact of a record numbers of visitors

By David Churchill, Leisure Industries Correspondent

THE THREAT to the environment from Britain's buoyant tourist industry is worrying industry chiefs now that figures out next week are expected to set a new record for tourist arrivals in the first half of the year.

The English Tourist Board is planning to carry out a comprehensive survey on the impact of tourism on historic towns and cities and draw up proposals for better tourism management.

In conjunction with other tourist groups, the board is to compile a "Good Tourist Guide" to educate visitors in looking after England's countryside and fine buildings.

Mr William Davis, recently

appointed chairman of the tourism board, says that "tourism growth at any price is no longer acceptable, especially in environmental terms." The board's figures show that tourism in England was worth £14bn last year and is now one of the fastest growing industries in Britain. Of this total, some £8bn was spent on sight-seeing by Britons and £6bn by visitors from overseas.

The London Tourist Board is particularly concerned about the impact of tourism on central London. It has devised a strategy and a three-year action plan to tackle the worsening problems of transport, litter, hotel accommodation, manpower and lack of invest-

ment. It also plans a "London Against Litter" campaign.

The board believes its strategy could see a doubling in tourist expenditure in London to £10bn by the end of the decade. It also believes that London needs to project its case more strongly. "Unless London finds a voice to champion its cause, it will lose its position as the cultural and commercial capital of Europe," says Dame Shelaagh Roberts, chairman of board.

The top English tourist attraction last year was Blackpool Pleasure Beach, with 6.6m visitors, followed by the Albert Dock in Liverpool with 5.1m, and the British Museum in London with 4.7m.

Gould turns his attention to environmental policy

Labour says it is ready to put green issues ahead of traditional ideology, David Thomas reports

MR Bryan Gould, the shadow Environment Secretary, has been busy harassing the Government over the poll tax. Yet he wants to devote more attention to the rest of his portfolio - environmental matters.

The demands of attacking the poll tax have prevented Mr Gould from focusing fully on greenery. In this respect at least, Mr Gould sounds like Mr Chris Patten, his opposite number in the Government.

"When I took this job (in November 1989), I imagined I could make a lot more progress on the green agenda. But then no one envisaged the extent to which the poll tax would dominate things," Mr Gould says.

Labour's environment spokesman plans to put this right with a string of speeches on the environment. His "break for freedom," as he calls it, will culminate in the publication later this year of Labour's policy document on the environment - an attempt to update the Government's white paper on the subject.

There are two barriers to taking Labour seriously on the environment - the second of which Mr Gould half-acknowledges.

First, Labour has to contend with the widespread perception that the Conservative Party in general, and Mrs Margaret Thatcher in particular, have been responsible for bringing in green concerns from the fringes of politics.

Mr Gould's tactic is to argue that the Government's decisions do not match its rhetoric. He claims that the Prime Min-



Bryan Gould: making the environment a priority

promoted by the Scandinavian countries and West Germany. These are tougher than the British Government is prepared to accept.

"The real test is that we are prepared to take the side of the environment - even if it runs against some of our ideological goals," Mr Gould argues.

One of the toughest decisions for a Labour Government would be whether to wean the economy away from its reliance on British coal.

Mr Gould suggests that it would - eventually. "No one is talking about closing large numbers of coal-fired stations overnight, but it's a question of adjusting the balance over a given period."

As MP for Dagenham, home of the large Ford assembly plant, Mr Gould is even more circumspect about embracing policies which might affect the private car.

He argues that strengthening public transport can go hand in hand with widespread car ownership. "We're not talking about the pattern of car ownership, but about the pattern of car usage."

Labour would give citizens rights to take to court organisations, including government bodies and companies, failing in their environmental duties.

Intervention of this kind is necessary to spread environmental concern throughout the population, Mr Gould argues. "Only we can say to our traditional supporters that concern for the environment is not some exotic preoccupation of the well-heeled."

Delhi increases pressure over kidnapping

THE Indian Government has put pressure on the state government of Assam to secure the release of a senior Indian Oil Corporation executive, his 24-year-old son and their driver who were kidnapped by the United Liberation Front of Assam (ULFA) on July 16, Kunal Bose writes from Calcutta.

The whereabouts of the three is unknown, despite efforts by the Assam Government to use neutrals to secure

their release. ULFA has said it will release the three provided the state government also frees three members of its organisation. The extremist group has threatened to kill its hostages unless the suggested trade off takes place by tomorrow.

The Assam government has shown a readiness to talk to ULFA. Soon after the kidnapping, Mr George Fernandes, the Railway Minister, and Mr M.S. Gurupadaswamy, the Petroleum Min-

ister, flew to Guwahati, where the kidnapping occurred, to help resolve the issue.

Mr Gurupadaswamy announced on arrival that Rs8bn (£288m) would be invested to develop Assam's oil industry over the next five years. Such investment in one of the state's two leading industries - the other being tea - should please ULFA, which believes the state has been discriminated against since 1947.

Charting an icy route to the east

Karen Fossli on the efforts to open the North-East Passage to Asia

THE Soviet Union has called on Norway to lead an investigation into the implications of opening the ice-clogged North-East Passage as an all year round commercial trade route for shipping.

The move follows a meeting of researchers from the Soviet Union, Norway, Britain and the US in Oslo last month to discuss research into the route, which the Soviet Union originally developed in 1935 while settling northern Siberia.

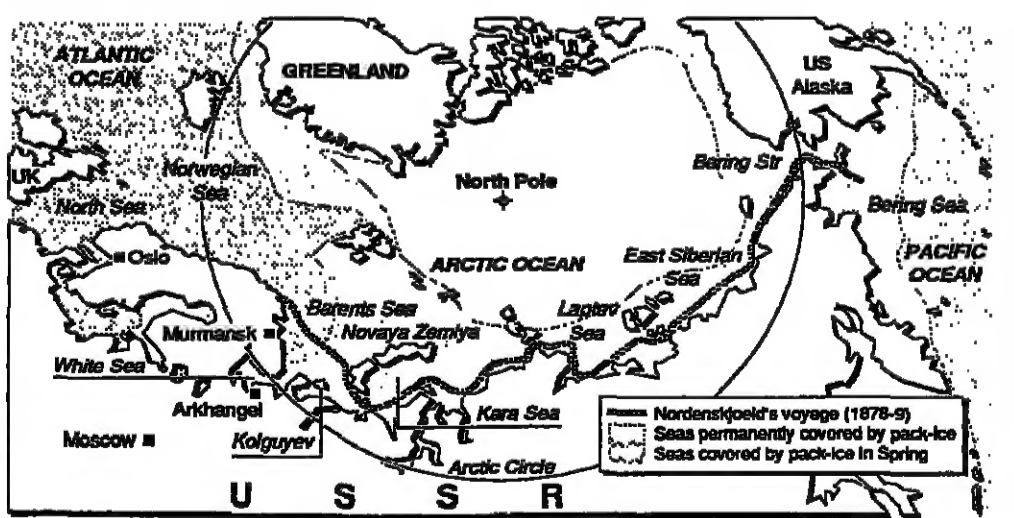
The North-East Passage runs roughly 3,000 nautical miles through the Barents and Kara Seas, the Bering Straits and leads to the northern Pacific Ocean.

Mr Willy Oestregren, director of Oslo's Fridtjof Nansen Institute which is co-ordinating the project, believes that by the turn of the century it may be possible to keep open the Passage the whole year round.

The programme which is jointly co-ordinated with the Leningrad-based Central Marine Design and Research Institute (CNIMR) will begin with three initial pilot studies lasting eight months and starting in August. They will look at the economics of commercial shipping in the light of the changing world trade patterns; the potential environmental impact posed by more extensive use of the Passage; and the legal, political, and military interests involved in a Northern Sea Route.

The main project will then be launched once financing is secured.

"Thousands of kilometres of travel would be saved with the opening of the Passage and in turn time and money," Mr Oestregren says. At the moment the passage is navigable only three to four months a year, although segments of it are open all the time. "In order to interest the international shipping community in using the



North-East Passage route (1878-9) Sea permanently covered by pack-ice Seas covered by pack-ice in Spring

North-East Passage it is necessary to keep the entire route open year-round," Mr Oestregren says.

The North-East Passage, was forced first in 1878-9 by Swedish Arctic explorer Baron Nils Adolf Erik Nordenskjöld during a dramatic, two-year voyage. In 1933 German Professor Otto Schmidt completed the voyage in two months with the Soviet ice-breaker Sibirsk. Setting sail from Arkhangel in the Soviet White Sea, Mr Schmidt defeated near impenetrable masses of ice pack to reach the Pacific.

Mr Schmidt made a second attempt the following year in the Soviet 4,000 tonne cargo ship Chelyuskin. The first aim was to test the practicability of passing merchant ships through the northern sea lane. This time, however, the ship was crushed by ice floes and sank.

By the outbreak of the Second World War this route had become a regular limited summer sea-lane for convoys of merchant seamen aided by ice-reconnaissance aircraft and great Soviet Stalin-class ice-

breakers. Despite the thawing in east-west relations, the military significance of the region remains significant.

The Soviet Union has always held the view that the North-East Passage sea-route falls under the administrative jurisdiction of Moscow while the West has claims it is an international sea lane. For more than 70 years the two have been deadlocked over the issue. "If the Passage is opened on a year-round basis it is an international waterway," Mr Oestregren said.

He believes that Soviet willingness to involve the West reflects Moscow's need for hard currency which could be earned by providing ice-breaker expertise and convoys in ice-infested waters.

Last year, two trial voyages were successfully made during the summer and later this month a new convoy will set out led by the ultra-modern 18,000 deadweight tonnes (dwt) "Taymyr" nuclear-powered

ice-breaker in which a cargo from Continental Europe will be transported to the Pacific.

"Technically we're ready to open the passage year-round but there are other issues which must first be addressed such as the political and military aspects," according to Mr Vassily Loban, director of foreign affairs for the Murmansk Shipping Company. The Taymyr nuclear-powered ice-breaker is said to have the capability to break up two-metre thick ice at a speed of 2.5 knots.

Mr Oestregren said that a precondition for the launch of the main North-East Passage research project is that previously unpublished Soviet data should be made available to the researchers.

Ultimately, fear of damaging the environment may forestall year-round use of the passage. With memories of the environmental disaster that followed the grounding of the Exxon Valdez in Alaska still fresh, serious thought must be given to the potential impact of an Arctic ice flow on a fully-laden ultra large crude carrier.

UK NEWS

Thatcher shuffle will aim for election line-up

By Michael Cassell, Political Correspondent

DOWNING STREET is today expected to announce middle and lower-ranking ministerial changes intended to complete a government line-up which will lead the fight into the next general election.

With Mrs Margaret Thatcher anxious to avoid any further Cabinet changes after the recent upheavals, the traditional reshuffle will be aimed at securing a second tier of ministers whose promotional skills can help convey the Government's pre-election message.

The Prime Minister is particularly anxious to establish an impression of stability and permanence in her new line-up of ministers following the untimely departure of four Cabinet ministers since last October.

While subsequent changes, by design or accident, cannot be ruled out, Mrs Thatcher hopes to keep her new line-up in place until the election, which could come next autumn but which appears increasingly likely in the first part of 1992.

The promotion of Mr Peter Lilley to replace Mr Nicholas Ridley as Trade and Industry Secretary leaves open the post of Financial Secretary to the Treasury, for which Mr Richard Ryder, the Economic Secretary, and Mrs Gillian Shephard, the junior social security minister, have both been tipped.

Mr Nicholas Scott, the Minister for the Disabled, might lose his post.

Other changes are likely at the Department of the Environment, where Mr Christopher Chope, a junior minister, could step down.

Mr Colin Moynihan, the Sports Minister, may also be switched to another post.

There will also be a vacancy at the DTI, with the voluntary departure of Lord Trefgarne as a Minister of State.

Mr Michael Forsyth, the junior Scottish Office Minister, has been suggested as a likely replacement for Mr Peter Morrison at the Department of Energy.

There could also be changes at the Education Department, where Mrs Angela Rumbold's job as Schools Minister is said to be under threat, along with that of Mr Robert Jackson, the Higher Education Minister.

A number of new faces are likely to enter the Government's ranks for the first time. Among those who might win junior ministerial posts are Mr



Tim Yeo: possible junior ministerial post



Steve Norris: could move up from Ridley's post



Angela Rumbold: could lose job as Schools Minister

Tim Yeo, the parliamentary private secretary to Mr Douglas Hurd, the Foreign Secretary; Mr Michael Fallon, a whip; Mr Steve Norris, the former parliamentary private secretary to Mr Ridley; and Mr Nigel Forman, the former parliamentary private secretary to Mr Nigel Lawson.

Labour fine-tunes plan for re-introducing rates

By Michael Cassell

LABOUR leaders will meet today to discuss the party's plans to introduce a modernised system of domestic rating if it wins the next general election.

Mr Kenneth Baker, the Conservative Party chairman, last night predicted Labour's proposal would lead to an "explosion of anger" among voters.

The economic committee of the shadow Cabinet will discuss the party's "fair rates" plan, the final details of which are unlikely to be ready in time for submission to Wednesday's meeting of the national executive committee. Instead the plan is likely to go to the autumn conference.

Mr Baker said that Labour's plans would represent "a return to the bad old days", with millions of home owners facing huge increases in rating bills.

His remarks were dismissed by Mr David Blunkett, Labour's local government spokesman, who said the plans offered the simplest and quickest way of abolishing the poll tax with minimum delay. The

Labour leadership appears increasingly confident, after its recent struggle to devise an attractive poll tax alternative, that its proposals will prove popular with the electorate.

Labour's package proposes the scrapping of the poll tax and the introduction of a property-based tax, founded on pre-1989 valuations. In the first, full financial year after a general election victory, immediate help would be given to people on benefit who now have to contribute a minimum 20 per cent towards poll tax bills.

Within the lifetime of a first Labour government, the party expects to have implemented its alternative system in full. It would embrace an extended rebate scheme and a new domestic property valuation, based on a combination of market and rental values and rebuilding, maintenance and repair costs.

The party says the new system would prove no more expensive than the poll tax, with millions of home owners facing huge increases in rating bills.

Hungary

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For details on this conference Sept. 17-18 at the Atrium Hyatt in Budapest, in U.S. call 1-800-852-7108, in U.K. call (01-703) 527-0039, in Europe call (49-30) 31-0341.

How peace may imperil British defence contractors

Charles Leadbeater on the effect of cuts in the defence budget that may amount to £40bn over 10 years

THESE are anxious times for British defence contractors as they wait for the outcome of the Government's potentially far-reaching review of defence spending.

A general statement this week from Mr Tom King, the Defence Secretary, might lift some of the uncertainty for defence suppliers.

However, a detailed study of how the review will affect defence contractors, carried out by Mr Stephen Parker, an analyst at UBS Phillips & Drew, predicts that defence companies will not be affected equally because of the way the cuts will be distributed.

The study predicts a wave of terror in the stock market at the scale of the overall cuts. In the first year, the £22bn budget could be cut by £1bn. Thereafter, the cuts could rise to £5bn a year, producing a cut of more than 20 per cent in the Ministry of Defence's budget, with a planned reduction of more than £40bn within 10 years.

Defence companies will be most concerned about how the cuts are distributed between various elements of the defence budget. The Phillips & Drew study suggests several general rules of thumb.

● Administration could bear the brunt of the early cuts. Training spending could be cut by 24 per cent by 1993, to yield savings of about £330m. Administrative staff savings could yield another £100m.

● Spares, stocks and maintenance could also yield early savings. It would be easy to cut extensive war stocks by 70 per cent. The Air Force, for example, has no fewer than 300 planes in reserve. In the short

THE IMPACT OF DEFENCE CUTS					
Company	Operating profits from MoD (£m)	MoD profits as % of total pre-tax	Profits at risk (£m) with annual cuts of:		
			£1bn	£2bn	£5bn
Bae	120	36	20	25	30
GEC	95	11	5	10	20
Rolls Royce	60	26	20	25	30
Ferranti	10	-	1	2	3
GKN	20	8	8	10	15
Vickers	11	13	3	6	11
Westland	10	48	1	2	3
Dowty	22	27	3	5	8
Smiths	15	13	5	6	8

Source: UBS Phillips & Drew

term, the maintenance budget, including the Royal Dockyards, could be cut by £138m to £125m, throwing in doubt the future of one of the dockyards.

● In the medium run, combat forces will be affected as well. But land forces, especially in West Germany, will be cut more than air and sea forces. The UK spends £4.1bn on defence in West Germany.

● Much of these cuts will be focused on personnel rather than equipment. A 24 per cent cut in the overall defence budget might mean only a 15 per cent cut in the procurement budget of £24.8bn. Civilian pay accounts for 35 per cent of the budget. A one-year recruitment freeze would save £400m. A 40 per cent cut of 60,000 Army personnel, combined with a 25 per cent reduction in civilian manpower and smaller cuts in the Navy and Air Force, could yield almost £30m.

● With eventual cuts of £5bn a year, land systems suppliers could be badly affected, with cuts of 66 per cent to £450m. Naval and air systems suppliers are unlikely to be as hard hit, with sales down 6 per cent

and 9 per cent cent respectively.

● Cuts are more likely to affect old equipment, refurbishment and maintenance than new equipment.

So how could such cuts affect the main British defence contractors? A complicating factor will be how their non-defence interests and exports perform to offset flagging UK defence activity.

British Aerospace, the largest, may not be as vulnerable as expected because the brunt of the cuts are likely to fall on land systems, where the company's exposure is limited. It will suffer if the Trigat missile for the Army is abandoned. But it also has the underpinning of exports to Saudi Arabia. With cuts of £5bn a year, operating profits from ministry programmes would fall by a quarter to £90m. BAE's non-defence activities, such as the Rover car group, are low margin businesses, while its personal communications consortium will not generate cash for some time.

Only 11 per cent of the General Electric Company's operat-

ing profits come from the Ministry of Defence. Its Yarrow yard is likely to benefit from concentration in naval shipbuilding and the group will enjoy continued spending on electronic systems for air and sea forces. GEC should also earn higher margins in its power engineering joint venture with Alsthom of France.

GKN has only a limited exposure, partly through its stake in Westland, the helicopter manufacturer. But its sales of armoured vehicles could be halved by the mid-1990s. Smiths Industries will also be hit, but ministry programmes only yield about 13 per cent of overall operating profits.

The main losers could be a host of small companies producing basic stores and supplies, as well as a clutch of larger companies. Vickers could be one of the most vulnerable, depending on whether it is chosen to make the replacement for the Chinook tank later this year. Even if it wins the contract, sales will be trimmed back to about 200 from the projected 600. Mr Parker estimates supplies of spares account for about 9 per cent of Vickers' operating profits.

Rolls-Royce earns about 26 per cent of its operating profits from British defence projects, with 11 per cent coming from spares and other supplies. The troubled Tornado programme represents about 11 per cent of its operating profits.

The Dowty Group is also vulnerable. Refurbishment of old frigates, submarines and anti-submarine warfare projects could be scaled back. About 10 per cent of its operating profits are from spares, refurbishment and maintenance.



Looking to the future: The outlook for small British defence suppliers and some large companies is uncertain

NEWS IN BRIEF

Heat could have caused train crash

THE heatwave may have played a part in a train derailment near Glasgow Central station on Saturday night in which 19 passengers were hurt, British Rail said yesterday.

The effect of heat on the track, possibly causing a rail to buckle, was one theory being examined by technical investigators from Derby.

The crash happened when the rear coach of the 7pm Glasgow to Ayr train left the track as it was passing over points less than 200 yards out of the station. The train was carrying 120 passengers including holidaymakers heading for the Ayrshire coast.

Sun-tan sales up

The long, hot summers in recent years have led to a 50 per cent increase in sales of sun-tan lotions over the past five years, according to a report from the Euromonitor market research consultancy published today.

Euromonitor says that some £85m a year is spent on sun-tan products with consumers increasingly becoming concerned at the effects of over-exposure to the sun on their skin.

Education poll

MOST people approve of greater Government support for education, according to a survey of almost 1,000 adults published by the National Union of Teachers today.

The findings suggest that three-quarters thought spending on books and equipment was too low while 80 per cent believed it "unsatisfactory" that schools should be dependent on parental contributions.

Lunchtime drinkers

ONLY one in every hundred of UK workers regularly drink alcohol at lunch-time, with most preferring the coffee or soft drinks, according to a survey of 500 people by the Compass catering company.

Labour set to suspend 14 Liverpool councillors

By Ian Hamilton Fazey, Northern Correspondent

The national executive committee of the Labour Party is expected on Wednesday to suspend the Liverpool District Labour Party. The move would help 33 Labour moderates who are trying to run Liverpool City Council, which has a total of 67 Labour members.

The committee will be asked to suspend 14 Liverpool councillors for voting against the moderates when they tried to ease the city's financial problems with a £3-a-week rent rise

for council tenants, the first since 1983.

It has already suspended a further 15 councillors for defying party policy by refusing to vote to set a poll tax. The moderates, led by Mr Harry Rimmer, former deputy leader of Merseyside County Council, gained control after the suspensions.

Party disciplinary proceedings are also expected to start against leading Labour figures in the Wirral who have been

active in the campaign to deselect Mr Frank Field, the MP for Birkenhead.

The death on Friday of Mr Mike Carr, the 43-year-old MP for Bootle, was a further blow to the party on Merseyside. He was the third Merseyside MP to die in recent months. Mr Carr himself succeeded Mr Allan Roberts, who died of cancer at the age of 46. Mr Sean Hughes, the MP for Knowsley South, died last month, also from cancer, at 44.

Both by-elections are likely to be held at the same time during the autumn.

Problems for the party on Merseyside are being worsened by Liverpool's financial crisis, which can now be solved only with co-operation between the 33 Labour moderates and the Liberal Democrat councillors, the second largest party grouping on the council.

After solving its first few budget crises by borrowing from Japanese and Swiss

banks - a device now closed off by the Government - the city has more recently taken to selling assets. Some of the land deals carried through by left-wingers are now being investigated by the police.

The latest assets coming up for sale are the freeholds of 16 famous Liverpool pubs, now leased to leading breweries. They include The Crown and The Vines in Lime Street, and Ye Cracke and The Baltic Fleet, near the Albert Dock.

Pensioners have paid for tax cuts, Meacher says

By Michael Cassell

SAVINGS made by the Government by breaking the link between wages and pensions have paid for two thirds of the total cuts in income tax introduced during Mrs Margaret Thatcher's years as Prime Minister, the Labour Party said last night.

Mr Michael Meacher, the shadow Social Security spokesman, used the contents of a Commons written reply to claim that the Government had stored "a massive own goal."

Week, a social security minister said, that the resources saved by breaking the wages-pensions link, which

Labour has said it would restore, were equivalent to 5p off the basic rate of income tax. If the link had been retained, a single pensioner would now receive £58.65 a week, an increase of £11.25 on the existing £47.40.

Mr Meacher said: "All the Tories' talk of improved economic performance paying for tax cuts is so much moonshine. Two thirds of their income tax cuts have been lifted out of the pockets of pensioners - the very people who have given most through tax and national insurance payments over their working lives."

Sales increase at John Lewis

By David Churchill

THE John Lewis department store chain achieved a 6.9 per cent sales increase in the week ending 14 July compared with the same week last year.

The increase was largely due to the start of the store's clearance sales.

Food sales through the Waitrose supermarkets, part of the John Lewis group, were up by 11.4 per cent in the same week compared with last year. For the total group, sales were 7.7 per cent higher.

Over the last 24 weeks, sales have risen 5.5 per cent. This was comfortably ahead of the company's budgeted sales increase of 4.1 per cent.

Brisk trading at B&Q in spite of Sunday muddle

THE car park at the B&Q DIY store off London's North Circular was almost full by mid-morning yesterday, in spite of confusion surrounding the retail chain's right to trade on Sundays.

Four check-out assistants were working at a brisk pace and a store manager said that the usual number of Sunday customers had turned up.

"I've just been to church and then I got on the bus and came straight here. That's the truth," said one shopper, who asked not to be identified. "It's not against my conscience, as long as the people working here don't mind."

Shoppers seemed aware that Sunday trading had been the source of some legal confusion last week. Some knew that the issue had not been settled and thought, correctly, that the north London store would still be open. Others weren't certain, but thought they would come along to see whether it was trading.

Last Wednesday, Mr Justice Hoffman ruled in the High Court that the law banning Sunday trading was quite clear and that the 1950 Shops Act did not contravene the free trade principles of European Community law.

But within two days, Judge Peter Northcote, a Crown Court judge, allowed an appeal from the B&Q retail chain against a conviction and fine by Shrewsbury magistrates for trading on Sunday. He argued that the 1950 legislation could not be enforced because, in his opinion, it did contravene European legislation.

He added that "unless, and

until the law has been made clear and enforceable a great deal of unnecessary and expensive litigation will undoubtedly continue."

Mr Northcote said that "the state of the law relating to retail sales on Sundays is unclear, seldom observed, out of date with present day mores, and can find little or no support from members of the public."

Unsurprisingly, a ban on Sunday trading found little support from B&Q shoppers. "I think it's great that it's open," said Ms Linda Saunders, carrying

Judge Northcote: 'the state of the law... is out of date with present day mores'

ing her purchases back to her car. "There's no traffic on the roads. But I don't know if all the shops should be open on a Sunday. It would become just like a Saturday, just as crowded."

Another shopper, Mr Clinton Quarshie, said that as a Seventh Day Adventist, Saturday was the day he didn't do his shopping. "But I'll go along with the majority. If most people want the shops open on a Sunday, that's OK with me. If they don't, that's OK too," he said.

The two legal decisions will add pressure on the Government to clarify the law regard-

ing Sunday trading in England and Wales. And after Friday's court case, B&Q expressly appealed to the Government to do so.

"We feel that it is time for the Government to act. At B&Q we are in an amazing position. We are not breaking the law in some areas of the country but we are in others," an official said. "The Government should stop shirking its responsibility. They have to realise that the responsibility for sorting out this muddle is theirs."

B&Q opens around 170 stores on Sundays in England and Wales (Scotland has no restrictions) while 50 others remain shut because of injunctions brought by local authorities. Those shops that are open record about a quarter of their sales on Sundays.

B&Q's stance is not unique. In March several retailers banded together to form the pressure group OPEN to campaign for the reform of "chaotic, unfair and unworkable" trading laws. It points out, for example, that on Sundays shops are allowed to sell gin, cigarettes and trips but not nappies, tampons or fresh meat.

Even the Keep Sunday Special Campaign has argued that the law should be updated and that the present list of exempt goods should be replaced by a list of exempt shops. But until the law is changed, it urges the Government to enforce the current law effectively.

Michael Skapinker and John Thornhill

PARINTER BOND FUND S.A.

Société Anonyme
R.C. Luxembourg B 8.549
NOTICE OF MEETING

Notice is hereby given that an Extraordinary General Meeting of Parinter Bond Fund S.A. will be held at the Registered Office in Luxembourg, 10A, Boulevard Royal, on:

Wednesday 1st August, 1990 at 11.00 hours

For the purpose of considering the following Agenda:

1. Creation of two classes of shares:

- Shares of Class A which receive no dividend but whose dividends are capitalised.

- Shares of Class B which receive no dividend but whose dividends are capitalised.

2. Modification of the Articles 3, 5, 6, 7, 10, 11, 12, 15, 16, 17 to 25, 27 and 30 of the Articles of Incorporation in accordance with the law of March thirty, nineteen hundred and eighty-eight (March 30, 1988) on collective investment undertakings and adoption of the revised Articles of Incorporation.

The Article 3 will read as follows:

Article 3

The object for which the Company has been established is the holding of participations, in any form whatsoever, in Luxembourg companies and foreign companies, and the acquisition, by purchase, subscription or in any other manner, as well as the transfer by sale, exchange or otherwise, of shares, bonds, debentures, notes and other securities of any kind; and the ownership, administration, development and management of its portfolio.

The Company's aim is to invest its funds in a variety of negotiable securities with a view to spreading the investment risks and distributing the results of the management of its portfolio to its shareholders.

In a general fashion, the Company may take any controlling and supervisory measures and carry out any operation which it deems useful for the accomplishment and development of its objectives, provided always, however, that it remains within the limits established by the law of March thirty, nineteen hundred and eighty-eight (March 30, 1988) on Collective Investment Undertakings.

The revised Articles of Incorporation including these modifications are at the disposal of the public at the registered office of the Company.

The General Meeting shall be regularly constituted and shall validly deliberate on the resolutions if a quorum of shareholders representing one half of the shares outstanding is present or represented. Resolutions must be passed by an affirmative vote of two thirds of the shares present or represented at such meeting.

The shareholders on record on the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the Registered Office of the Company not later than twenty-four hours before the meeting.

The present notice and a form of proxy have been sent to all shareholders on record at 13th July, 1990.

In order to attend the meeting, the owners of bearer shares are required to deposit their shares not less than five clear days before the date of the meeting at the Registered Office.

Proxy forms are available upon request at the Registered Office of the Company.

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Defence contractors may face £142m cut in profits

By Charles Leadbeater, Industrial Editor.

BRITAIN'S top 12 defence contractors could see their operating profits cut by up to £142m a year in the next few years as a result of the cuts in defence spending expected to flow from Options for Change, the Government's potentially far-reaching review of defence priorities.

This is one of the main conclusions of one of the most detailed studies yet of the implications for defence contractors of cuts in British military spending in the wake of political reforms in eastern Europe.

The study, by UBS Phillips & Drew, the stockbrokers, estimates the UK's main defence contractors could see their annual operating profits on Ministry of Defence programmes of £408m, cut by between 18 per cent and 35 per cent in the next decade.

Mr Tom King, the Defence Secretary is expected to make a statement this week outlining plans for reductions in defence spending, after a meet-

ing on Friday between Mrs Thatcher and the Joint Chiefs of Staff. The statement is likely to further depress defence stocks which have fallen significantly in recent months.

The study, based on a painstaking assessment of detailed spending plans, suggests the MoD's £22bn budget is likely to cut by £1bn a year initially, possibly rising to £5bn later in the decade.

In the worst case for defence contractors, projected military spending of £220bn over the next decade could be cut by as much as a quarter. Cuts of £1bn a year would reduce the main contractors' operating profits by £72m a year, with a £5bn a year cut doubling the pressure of the profits squeeze.

The study predicts the cuts will not affect contractors equally. Companies such as Vickers, which are dependent on spending on land forces, could be particularly vulnerable.

Others such as Rolls Royce, the aero-engine manufacturer

which the study estimates makes 26 per cent of its pre-tax profits from Ministry of Defence profits and Dowty, which make substantial profits from supplies of spares and refurbishment programmes could also be adversely affected. Rolls Royce last week announced plans for 700 job losses as a result of the Royal Air Force's cancellation of an order for Tornado jets.

Apart from Rolls Royce, British Aerospace and the General Electric Company, the top two contractors could have the largest absolute declines in profits. Both, however, have limited exposure to cuts in spending on the army.

Other contractors such as Lucas Industries, Smiths Industries, STC, Racal, GKN and Ferranti, who are less vulnerable, particularly as most have offsetting civil interests which could compensate for a reduction in defence profits in the next 10 years.

How peace may imperil British defence contractors, Page 8

Council pension funds invest £600m in Europe

By Eric Short

COUNCIL superannuation funds invested almost £800m - half their available new money of £1.19bn - in Continental European equities in the 12 months to March 31, 1990, according to the latest analysis from the WM Company, the largest investment performance measurement company in the UK.

A further £170m, nearly 15 per cent of new money, was invested by these funds in the emerging Far East stock markets. Overall, local authority pension funds invested over 70 per cent of their new money in overseas equities, despite strong disinvestment in Japan, with a further one-third being invested in overseas bonds.

Only 11 per cent of new money was invested in UK equities, while the funds disinvested heavily in UK gilts and other bonds.

This pattern achieved two significant results. The overseas equity holdings of these funds achieved an overall return of 17.1 per cent over the 12 months, with European equities showing a return of 48.7 per cent.

This contrasted with a return of only 8.2 per cent over the same period from UK equities and a negative return of 4.1 per cent from UK bonds.

Enabled funds to achieve a total return on their assets for the 12 months of 8.6 per cent, just exceeding the rise in the retail prices index over the same period of 8.1 per cent, but failing to match the rise in national average earnings of 9.2 per cent.

Local authority funds still failed to match the average return of private sector pension funds over the 12 months of 8.1 per cent.

Second, the pattern resulted in the asset mix of local authority pension funds showing overseas equities now accounting for 23 per cent of assets compared with 18 per cent at the beginning of the period, while the proportion of UK bond holdings, including index-linked gilts, fell from 11 per cent to 9 per cent.

Within the overseas equity portfolio, the proportion of European equities has increased from 27 per cent to 40 per cent of the portfolio.

Lawyers accused of economic illiteracy

By Robert Rice, Legal Correspondent

THE British legal profession is in a crisis because of its inadequate and narrow training and its ignorance of economic, according to the Institute of Economic Affairs (IEA).

"Lawyers and policy makers are economically illiterate and frequently innumerate," the IEA says in a study.

The IEA says the standing of the legal profession is lower than that of accountants and its ability to advise clients on the implications of laws for their business activities "borders on the naive."

It accuses the English legal profession of being wary of theory, contemptuous of experts and reluctant to accept that other disciplines may have something valuable to say about the law.

Many of Britain's accident victims, for example, are being under-compensated because judges refuse to use standard financial techniques to assess damages, the report says. The English judiciary has discouraged expert evidence in personal injury cases, preferring "unsophisticated arithmetical calculation" which does not adequately compensate victims. If simple economics were used, damages would be many times higher than those currently awarded.

Regulation is one area that could benefit from economic analysis, the IEA says. Regulation has grown rapidly over recent years but has too often been guided by short-term considerations.

The political market-places generates regulation that is costly and wasteful. The result of this approach has been a shift in power in Britain into the hands of regulators such as the Office of Fair Trading and a host of self-regulatory agencies acting under a statutory framework. The report calls for the introduction of an intellectual framework drawn up by lawyers and economists to measure the costs of regulatory solutions on a consistent basis.

The Economics of Law, from the IEA, 2 Lord North St, London SW1, £5.95.

Visa to appeal against ruling by High Court

VISA International, the plastic card payments organisation, is to appeal against last month's refusal by Mr Justice Hodgson in the High Court for a judicial review of the report on the credit card industry published in August last year by the Monopolies and Mergers Commission (MMC), writes David Birchard.

The decision means that there may now be a further delay in implementing two decisions taken last December by Mr Nicholas Ridley, then Trade and Industry Secretary. These would allow retailers to charge their customers less if they pay by cash rather than by credit card and to end Visa's rule which prevents its member banks from signing up retailers for credit card services until they have issued a large number of cards.

Both changes were recommended by the MMC report, though Mr Ridley did not necessarily have to adopt them. Visa is understood to have taken the decision to appeal against the high court ruling after consulting member banks in Europe. They are alarmed that the Department of Trade and Industry's proposals could set a precedent for credit card legislation in other national markets.

Visa will press for an expedited hearing of its appeal, so that a ruling can be obtained by the end of the year. The company claims that it is merely a supplier of services to banks and that because of this, the MMC report was in error when it claimed Visa was operating a monopoly.

One factor behind Visa International's decision to appeal may have been Mr Ridley's recent departure from the DTI. Many banks believe that Mr Ridley was too ready to listen to the large retailers in their disputes with the banks over credit card pricing and did not fully understand the competitive issues involved in the plastic card industry.

Executive pay packages on course for 13% increase

By Michael Dixon

MANAGERS in Britain are on course for a 13 per cent rise in total pay this year, according to a survey by the Noble Lowndes group of management consultants and actuaries.

The group's executive pay index, which sets a pounds-per-year value on fringe benefits and takes account of salaries and cash bonuses, shows a 6.5 per cent increase over the first half of 1990. The index, calculated quarterly for the Financial Times, is "smoothed" to compensate for the bunching of annual salary awards at particular times of the year.

The underlying rate of increase slowed slightly in the April-June quarter. The average for the 3,776 managers of all ranks covered by the survey rose three per cent to £64,897, compared with a 3.5 per cent increase in January-March. Chief executives continued to widen their pay differential

over lower ranks of managers including other directors. Chief executives are in line for a 1990 increase of almost 14 per cent.

Further information on the survey, including the methods used to calculate the value of fringe benefits, is available from Mr Don McCune, PO Box 144, Norfolk House, Wellesley Rd, Croydon CR9 3EB.

Former state-owned organisations typically reacted to privatisation by awarding large increases in earnings to their best-paid directors, says the Incomes Data Services consultancy in a report published today.

An IDS study of 15 privatised concerns shows that their best-paid directors' cash earnings rose by an average of 62.1 per cent in the first year after public flotation. In four of them - Enterprise Oil, British Airways, BAA and Jaguar - the initial year's

increase was over 100 per cent. The main reason the privatised companies give for the rises is that they were needed to bring their directors' pay up to private-sector standards.

At the time of flotation, the 15 state-owned concerns' highest-paid directors had average money earnings of £89,576, or 34 per cent lower than the comparative private-sector figure of £105,521. In 1989, the privatised companies' average was £261,087 - 5 per cent higher than the comparative private-sector figure of £247,546.

Not all of the ex-state organisations' top-paid executives have done well out of privatisation. In 1989 the NFC haulage company's best-rewarded director received only 65.3 per cent of the relevant private-sector average.

Top Pay Review - July. IDS, 198 St John St, London EC1V 4LS.

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MANAGEMENT

Indian industry

A colossus poised to flex its muscles

The Tatas are set to reassert its leadership as India's largest group, but it lacks cohesion, suggest David Housego and Gita Piramal

Among the larger Indian industrial groups, the Tatas have long seemed like a slow-moving colossus. In the 1970s, the Tatas barely managed to increase sales and investments - held back by the restrictions of the Monopolies and Restrictive Trade Practices Act (MRTP) that was intended to break the economic power of the large industrial houses.

Freddie Mehta, a Tata director and chairman of the Forbes engineering group within the Tata empire, says: "In the 1970s every single application by the Tatas (for an industrial licence) went into the wastepaper basket."

In the more liberal environment of the 1980s, the Tatas began to pick up speed; but what seemed to many to be their old-fashioned concern for business ethics meant that they were still in danger of being overhauled by other more aggressive rivals like the Ambanis or the Chhabris.

At the beginning of the 1990s, however, they seem poised for a major expansion in part helped by a reputation for integrity and a fond dealing that stands them in good stead with the financial markets, with state governments looking for private sector partners, and with customers and foreign collaborators.

In India "the 1990s are the decade of the Tatas," says Gerry Rao, vice-president and chief executive of Citibank India, who confesses that he had wrongly thought the Tatas "sleepy and stodgy" by comparison with more pushy rivals.

Among their strengths as they prepare for a decade of reasserting their leadership as India's largest group are:

■ A massive investment programme. Tata Steel, the steel-making subsidiary and India's largest single private sector company, is investing Rs 30bn over the next four years for modernisation and expansion. Tata Steel raised Rs 8.5bn in this last year in a convertible debenture before the change of government and a subsequent dramatic slowdown in new issues.

Telco, the commercial vehicle subsidiary, is spending Rs 8.5bn over the next three to four years to modernise and diversify. Tata Chemicals, together with Tata Tea, are investing Rs 50bn in fertilisers, a new petrochemical complex to be built at Haldia in West Bengal in partnership with the state's Marxist government, and an oil refinery. Tata Elec-

tronic is investing Rs 5bn in new thermal capacity near Bombay. Other companies within the group, which currently has total sales of Rs 90bn, are also ambitious.

■ The Tata reputation provides the group with unmatched access to the capital markets. "We will not really have any major problem in raising funds for these large projects from the capital markets," says Noshir Soonsawala, chief financial adviser. Equally, as Tata Chemicals' link-up with the Marxist West Bengal government has shown, state governments increasingly see the Tatas as one of the most desirable partners for the growing number of joint sector projects.

■ In a more competitive environment Tata has the advantage of being the market leader in many of the fields it is in. Tata's capital markets, says Noshir Soonsawala, chief financial adviser. Equally, as Tata Chemicals' link-up with the Marxist West Bengal government has shown, state governments increasingly see the Tatas as one of the most desirable partners for the growing number of joint sector projects.

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Against these advantages, the Tatas' major weakness is that it has no cohesion as a group and members of its senior hierarchy are at odds with one another over what the future structure should be. The Tatas is currently a loose confederation of companies with the chief executives of the major companies treating their domain as fiefdoms.

Ratan Tata, who has just taken over as deputy chairman of Tata Sons, the main holding company and who is shortly expected to succeed the 85-year-old JRD Tata as head of the group, wants to bring in the tighter control that would be accepted practice for any multinational of the Tatas' size. The ideal way, he says - though he recognises it would be unrealistic - would be "to re-found and restructure Tatas into groups of industries, or to restructure it into one large entity which has many divisions."

But most Tata chief executives are strongly opposed to this type of approach and want

to preserve the autonomy of the individual companies. Darbari Seth, the head of Tata Chemicals and the most powerful exponent of this view, denies there can be more cohesion. "In law and in theory, all Tata companies are autonomous and thus constitute a Commonwealth of nations."

Ratan Tata, who almost alone among the top hierarchy thinks about group strategy and has commissioned an in-house study on the options available during the coming decade, says he is prepared for a "battle". On his side is the fact that he is part of the Tata family and his comparative youth - 52. In a company notorious for the reluctance of its senior managers to retire, 16 of the 20 most senior Tata executives are over 60.

Many observers, however, do not think that Ratan Tata is sufficiently tough to impose his will. "Ratan Tata has no followers," says one local investment banker. "When JRD Tata goes, the group will fall apart. Though a widely held view in Bombay, this is probably too pessimistic."

The Tata empire, now comprising 47 groups (many with their own cluster of subsidiaries) used to be centrally controlled when it was run in the manner of the managing agency system that India inherited from the British. But Prime Minister Indira Gandhi's government got rid of the system in the early 1970s as part of her populist campaign against the large industrial houses.

Since then, the major companies have increasingly asserted their autonomy. This process was furthered by what Ratan Tata considers a mistake of his uncle JRD, in not appointing the same chairman to the head of each company as a way of maintaining the group's cohesiveness. JRD was himself chairman of all the companies in the group - but as he retired from each, the operating chief also became chairman.

Of the major power brokers within the Tata empire, Russi Mody, 72, the head of Tata Steel, once hinted that he would retire this year. His strength has come from rising profits generated on the back



Clockwise top left: Freddie Mehta; Ratan Tata; J R D Tata, who heads the group; Noshir Soonsawala; Darbari Seth. Differing views on extent of autonomy for group companies

of price de-control and from operating his plants at close to full capacity. Already a far more efficient producer of steel than India's state owned plants, Tata Steel stands to gain substantially from its massive new modernisation and expansion programme. The group has also diversified into computer software, non-steel exports and shrimps.

Darbari Seth, 70, has created his own mini-empire within the Tata group, confessing that he comes from "a feudal background" and that his style is paternal. His appetite for growth has increased with age. He has acquired Consolidated Coffee, India's largest coffee plantation for Tata Tea, and taken over the running of the cement company, ACC, one of the top five Tata companies.

Over the past year he has

announced Rs 50bn of investment in greenfield plants including the Haldia petrochemical complex.

Ratan Tata himself took over as chief executive of Telco in December 1988. He has already shifted its emphasis away from heavy and medium commercial trucks to lighter vehicles, a station wagon and, soon, passenger cars. He would like to carry Telco into aerospace and defence.

Ajit Kerkar, 58, often thought of as the black sheep of the group for his unconventional business methods, is none the less much respected for his drive in building up a Tata presence outside India through the Taj hotel and catering group.

These four barons are the main power centres of the group with the authority that

size, large cash resources and ambition provide. But the Tatas are also into textiles, vegetable oils, watches, electronics, lipsticks, financial services and a host of other things.

Formal links between the different outposts in what Ratan Tata calls this "very loose confederation" of companies are maintained through stakes held in them by Tata Sons, the main holding company, or Tata Industries, another major holding, or various Tata trusts.

Ratan Tata says that there is a lot of interaction "when companies want money from each other and zero when they think they can do something on their own."

Shortly after Ratan Tata first rose to prominence he drew up a strategic plan in 1983 on which the group should be headed during the rest of the decade. This argued that the Tatas was too entrenched in traditional, slow growing sectors and that the group should diversify into what were then called the "sunrise" industries - electronics, communications, advanced materials. He also advocated that the group get out of certain areas like

textiles and vegetable oils.

At the time, however, Ratan Tata had little power to impose his views and the Tata barons were jealous of their territory. But through Tata Industries, Ratan Tata did move the group into oil drilling (Hi-tech Drilling), computer software (Tata Consultancy and Tata Honeywell, Tata Unisys) and telecommunications (Tata Telecom). Though he established a foothold in these areas, the companies have yet to prove themselves financially, which leaves Ratan Tata's managerial capabilities yet to be fully tested.

None the less seven years later, he is in an outspoken and more confident. In his aim of achieving tighter control, he wants to reduce wasteful competition between group subsidiaries - the Tatas has four pharmaceutical concerns for a start. He also wants to encourage the development of synergies between different companies. He believes the mechanism of informal contacts fails when hard decisions have to be taken.

He wants to see a more active policy of acquisitions, mergers and disposals. He would like senior executives to retire earlier. Age, he says, "affects vision, limits the ability to take hard decisions, and reduces the opportunities for young people. He would like to see much more mobility of personnel through the group."

"Why should a person live all his life in Telco?" he asks.

Ratan Tata believes that more cohesive management should be reinforced by more cross-holdings between the different companies and by group headquarters providing tighter guidelines on profitability, fund-raising and product strategy. But the cornerstone to his vision is that to achieve more unity and cohesion the group should revert to the former tradition under which the chairman of Tata Sons was also the chairman of the major operating companies. Deputy chairman now, Ratan Tata will be the next to slip into the chairman's seat.

The new review of the group's strategic options is not yet complete. But three or four areas are clearly emerging as centres of future focus. Ratan

Tata believes that the group must build on its newly developed interests in telecommunications and electronics, and on its existing strengths as a sophisticated engineering group, to go into areas like aerospace, defence and possibly public switching systems in telecommunications.

A second area where the group sees immense potential because of the Tata reputation with investors is financial services. Freddie Mehta says Tata was stunned by the public response to a recent fund-raising exercise on behalf of Tata Industrial Finance. "The faith the public put in us was phenomenal," he says. Tatas would like to go into mutual funds if the government opens this up to the private sector - and consumer financing.

A third area in which the group hopes to expand is agriculture which it sees undergoing a massive transformation with the explosion taking place in farmers' incomes and the growth of a more aggressive farmers' lobby. The group also sees a place for itself in biotechnology, refrigerated trucks and industrial techniques for agriculture.

Finally, Ratan Tata believes that the group must develop exports as a major plank of its strategy rather than as an offshoot of domestic sales. But influenced perhaps by a recent setback to his plans for Telco to tie up with Daimler-Benz to produce trucks for the world market, he believes it is still too early for Tata to seek alliances with other multinationals - and thus to develop as a global player.

Some of his colleagues hold more ambitious ideas on this. Freddie Mehta, a believer in the Tatas playing a global role, says: "Never before has India been so well placed in world conditions."

Resistance to Ratan Tata will be the greatest over his plans to impose tighter control on the management structure of the group. Darbari Seth says with honeyed tongue: "If one person in Tatas can hold the group together it is Ratan Tata. His great quality is that he embodies the background that is Tatas in terms of values and traditions." But it is clear that he does not believe that Ratan Tata should have much of an executive role. "Let him be group chairman," he says, adding that he should not remain too long as chief executive of Telco.

Ratan Tata's problem will be to prove that he is a chairman with teeth.

HUNGARY

The Financial Times proposes to publish a Survey on the above on SEPTEMBER 26 1990

For a full editorial synopsis and advertisement details, please contact:

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By David McIntosh

Now that the press regularly knocks on lawyers' doors, these champions of the defrauded and injured need to give very careful thought as to what, if anything, they are prepared to say before they suc-

E. THOMAS has become construction manager for two major projects in Devon worth £12.5m for Sainsbury. The largest, worth £10m, is for a store on the Roundswell Estate, Barnstaple. It will comprise

32,000 sq ft of retail sales space, a bakery, coffee shop and parking for 640 cars. The development will also include a petrol station, 8,500 sq ft of retail shops, a 7,000 sq ft health and community centre and a chil-

The second, worth £3.5m, is to extend and refurbish Sainsbury's Exbridge store in the heart of Exeter. The sales area will be increased by some 20 per cent to 28,000 sq ft.

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It is nevertheless rarely wise for defence lawyers to encourage a "no comment" response to press inquiries. Such a response can easily be used against the defendant.

On rare occasions it is even

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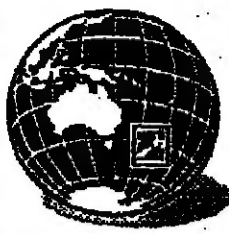
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NEW ZEALAND

Monday July 23 1990



In the 1980s, radical economic reforms, independent foreign policy and sporting dramas kept New

Zealand in the spotlight. But what of the 1990s, asks Kevin Brown. Political and economic uncertainties seem set to come to a head around the general election in October

The voters are uneasy

AFTER six years of rapid free market reform, New Zealanders seem ready for a break. The pace of change has been hectic since Labour ousted the conservative National Party in 1984, and it will leave its mark on New Zealand for a generation. But it has not yet provided the prosperity Labour promised, and it has left the voters uneasy about the wisdom of abandoning a century of state interventionism.

If the opinion polls are right, that failure will put Labour out of government in the general election in October. But unless there is a change of heart in the National Party, there will be no fundamental change in the free market economic policies with which New Zealand has become identified. A substantial shift of gravity in our own political consciousness (parliamentary party), says Mrs Ruth Richardson, the National Party's finance spokesman. "We will stick with the strengths of Labour and not right the weaknesses."

Mr Jim Bolger, the National Party leader, rejects with some asperity the suggestion that there is little to choose between the economic policies of Labour and the Nationals, but the differences appear to be in the details rather than in broad thrust. For example, the Nationals would relax Labour's tough

anti-inflation policy in pursuit of lower interest rates and higher growth in real Gross Domestic Product. But the relaxation would be slight - shifting the target of 0.2 per cent inflation from 1992 to 1993. The Reserve Bank Act, which puts monetary policy in the hands of the Bank's Governor, and gives him a legal duty to have regard solely to the achievement of the target, would not be repealed or amended.

The National Party says it would take a stronger line than Labour on reducing public expenditure, largely by attacking social welfare transfers, and would reform the labour market by abandoning compulsory trade unionism - an area in which Labour has attempted only tentative reform. However, the Nationals have no plans to abandon any of Labour's attempts to free the economy by reducing protection and increasing competition and efficiency.

"We think the National Party's policies on health and compulsory unionism will disadvantage workers and cause industrial problems at some work sites. But we can detect no significant difference between the economic policies of the two main parties," says Mr Ron Burgess, secretary of the New Zealand Council of Trade Unions.

In effect, the National Party would seek to manage the move towards a more open



New Zealand, unbeaten in four years of international competition, is the Rugby Union world champion - and that is just one of the country's areas of outstanding sporting achievement. Why is it that this small country does so well? See story on page 4

economy more effectively and with less pain. But, like the conservatives who followed the reforming Liberal administration of the 1980s - which laid the foundations of the modern New Zealand welfare state - they have achieved respectability with the voters largely by stealing their opponents' clothes.

It has been a remarkable change of course for the National Party, which in the late 1970s and early 1980s presided over the nearest thing to a command economy outside Eastern Europe, with a full panoply of protection, exchange controls and subsidy regimes.

Confronted by the effects of the two oil shocks of the 1970s, and the entry of the UK - then New Zealand's largest market - into the EC, the then National government under Sir Robert Muldoon did make tentative plans to increase economic flexibility. But a complete break with

the past proved beyond Sir Robert, and it was left to Labour - nominally a party of the left - to introduce a long list of radical reforms designed to turn around an economy which experienced average real growth in GDP of just 0.8 per cent between 1969 and 1984.

Labour deregulated the financial markets, floated the currency, removed import licensing, reduced tariffs and export incentives, commercialised many government trading departments, introduced a comprehensive value added tax, and slashed personal and corporate tax rates.

It also made the Reserve Bank fully independent, and privatised a host of state-owned companies, including Air New Zealand, NZ Telecom, Postbank and Rural Bank, NZ Steel, Petrocorp and the Tourist Hotel Corporation.

At the same time, it has followed a tight fiscal and monetary policy which has brought the budget almost into balance

and reduced inflation to an underlying rate of less than 5 per cent, compared to an average of 15 per cent in the previous two decades.

On the other hand, high interest rates have helped to create a shallow recession from which the country is only just emerging; the current account of the balance of payments remains stubbornly in deficit; and unemployment has ballooned to the historically high level of 7.3 per cent.

In many ways, Labour's programme was no more than a reflection of deregulatory policies being pursued by many other OECD governments. But the impact has been greater in New Zealand because of the speed with which the programme was carried out, and

the break with the past which it represented. To make things worse, the painful economic reorientation has taken place against the background of a cultural upheaval in which New Zealand is modifying its former perception of itself as an outpost of Europe in the South Seas.

The most obvious example of this is an increasingly close trading and defence relationship with Australia, although New Zealanders rule out any possibility of political union. New Zealand rejected Australian statehood nearly a century ago, and sees no advantages of being ruled from Canberra now. In any case, such a development would be in conflict with

New Zealand's emerging perception of itself as a regional leader of a community of South Pacific Island nations.

That perception has been given a sharper focus this year by the 150th anniversary of the Treaty of Waitangi between the Maori and the British government, which reluctantly annexed the country to keep it from the French.

Maori land claims under the treaty have mushroomed since Labour legislation widened its effect in 1984, and there have even been attempts to stop privatisations going through on the grounds that state land belongs to the tribes.

Pakeha (European) public opinion has been outraged by some Maori activists, particularly those who insulted the Queen during the Waitangi celebrations in February.

Commentators have also made much of the emergence of Maori gangs with names like Black Power and the Mongrel Mob, linking their violent behaviour to an increase in crime generally to posit a breakdown in race relations and law and order.

In fact, most Pakeha rarely see a gang member, and much of what violence does occur is in fights between rival gangs. Likewise, the crime level, though rising, remains low by the standards of many other countries.

Sir Graham Latimer, chairman of the Maori Council, says the more assertive tone of the Maori people is rooted in their perception that it is time for them to catch up with Pakeha living standards, which he estimates are 50 per cent higher.

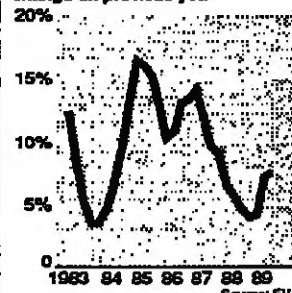
Predictions of open racial strife have not been fulfilled, and are probably wide of the mark. But they are one of the most striking illustrations of the loss of self-confidence and increasing uncertainty among New Zealanders, many of whom wonder where their country is going.

A National Party election victory would give New Zealand the break from Labour for which it is clearly looking. But the country's course seems to have been set, for good or ill. And in the absence of a switch of tack by the Nationals, the history books may show that Labour has won the war, even if it loses the battle.

IN THIS SURVEY

Consumer prices

change on previous year



KEY FACTS and MAP

The heat is on for the ruling Labour government as opinion polls in the run-up to the general election show them lagging badly p 2

New Zealand is caught between traditional affiliations and geographical reality as it defines its identity p 2

After years of stringent economic and banking reforms, the country is divided on their success p 3

PROFILES: David Caygill, Donald Brash p 2

Antarctica p 2

Sport p 4

Race relations p 4



New Zealand's primary industries are ultra-efficient but frustrated by EC and other trading restrictions p 4

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NEW ZEALAND 2

PARLIAMENT in Wellington is no place for the faint hearted, especially in a pre-election period in which Opposition MPs are becoming increasingly confident that many of their government opponents are heading for the dole queue.

As election day in October creeps steadily nearer, the ruling Labour Party's share of the vote seems stuck in the low 20s, while the opposition National (conservative) Party records support in the high 40s in most polls.

With its supporters apparently refusing to come back to the fold, Labour has been left hoping that it will win most of the large undecided vote, which for a while was running second in the polls to the Nationals.

Mr Mike Moore, Foreign Affairs Minister and a likely candidate in the leadership battle which will follow if Labour loses, proposed a different approach, tongue only slightly in cheek. "We believe the polls," he said. "In a week's time, the Labour Party is going to change its name to the Don't Knows."

Most Labour ministers are keeping up a bold front, almost

Kevin Brown assesses the run-up to the election

Heat is on for Labour

convincing themselves that they can still win, but the party has been behind in most polls since December 1987.

The government's poll rating rallied when Mr Geoffrey Palmer replaced Mr David Lange as Prime Minister a year ago, but the revival turned out to be short-lived as Mr Palmer proved a capable but uninspiring replacement for his sharp-witted predecessor.

Over at the Treasury, Mr David Caygill has proved a consistently good front bench debater as Finance Minister, and has won many friends with his competent and open-minded handling of a difficult portfolio during what has turned out to be a stubborn recession.

But well liked as Mr Caygill is, he has proved unable to inspire the country in the way that his predecessor, Mr Roger Douglas, was able to do before

he fell out with Mr Lange and retired to the back benches.

The National camp has still not found a leader with the pithy approach and wide appeal of Sir Robert Muldoon, the last National Party Prime Minister, and the man who started the liberalisation programme which was picked up and shaken into life by Mr Douglas.

Mr Jim Bolger, the present leader, confidently expects to move into the Prime Minister's official residence in Thorndon shortly, and says he is impatient to get started. But the evidence is that New Zealanders are little more keen on him than they are on Mr Palmer.

Recently, Labour morale has slumped so low that rumours of a coup against Mr Palmer have begun to surface as MPs mull over whether a change of leader could yet keep the party in office, or at least salvage a

significant number of seats.

However, the situation is now so bad that neither Mr Moore nor Mr Caygill - the two most probable replacement leaders - are likely to want to risk leading the party to what looks like certain defeat.

By contrast, Mr Bolger is secure, even though opinion polls show he is less popular among both National voters and the wider electorate than his backbench critic Mr Winston Peters, the only National Party Maori MP.

Mr Peters, a populist who frequently upstages Mr Bolger, has probably missed his chance of the top job, although National may be looking for a leader in three years' time if the Bolger administration turns out, as some observers believe likely, to be a one-term government.

Labour's strategy is threefold: it will try to get across the message that the economy is set to start growing again next year; it will use the next three months, including this month's budget, to produce some vote-winning policies; and it will try to paint National as a party of heartless extremists which would demolish

ish New Zealand's generous social welfare system.

The first part of the strategy seems unlikely to have much impact - the voters' main complaint seems to be that Labour has been promising jam tomorrow for six years while things have got steadily worse.

For the same reason, there has been little public response to Mr Palmer's recent promise that the government would return the country to full employment by 1995. Most of his highly publicised initiatives were seen as old policies dressed up in new clothes.

The government will also find it difficult to implement popular policies because any relaxation of its tough financial policies risks wrecking its hard-won credibility.

One thing Labour does not have to worry about is losing support to the minor parties. Both the Greens and the Marxist New Labour Party have failed to attract more than three or four per cent support in the polls, and neither looks likely to win a seat under New Zealand's first-past-the-post electoral system.

Labour also benefits from the existence of four seats reserved for Maoris, voting on a separate roll, which have traditionally been won by Labour candidates. However, the wild dreams of some National supporters that Labour will be reduced to those seats alone are unlikely to be realised.

PROFILE: Donald Brash



Donald Brash: needs a thicker skin than most

DR DONALD BRASH, Governor of the Reserve Bank of New Zealand, needs a thicker skin than most central bankers.

Since February, he has been the only central banker in the world legally required to conduct monetary policy in pursuit of a specific target for inflation.

Under the Reserve Bank Act, the government and the Bank are required to publish a target which can be modified only in specific circumstances, such as to cope with an increase in consumer taxes, or a major movement in the terms of trade.

Dr Brash says he is confident the Bank can achieve the initial target agreed in March with Mr David Caygill, the Finance Minister, which requires the rate of increase in the Consumer Price Index to be reduced to between 0 and 2 per cent by 1993.

If he is right, he will benefit from an incentive system built into the contract to reward good management. If he fails, the government has the right to dismiss him.

Most observers agree that the target is achievable. But there is concern that high interest rates are prolonging New Zealand's current recession, and Dr Brash is becoming a target for criticism from those who would like to see

present Governor since his days at Canterbury University... and I have to say that he is not in the same class as Karl Otto Pöhl of the [West German] Bundesbank, or Alan Greenspan of the [US] Federal Reserve, and yet he has a degree of independence which is now unmatched anywhere in the world.

"That is one change that an incoming government will have to make," Sir Robert said in a recent speech.

Dr Brash says the Reserve Bank Act has ended the facility of attempting to use monetary policy to expand the economy, which inevitably ends in higher inflation than would otherwise have occurred. But he says it is right that Parliament should retain final authority over the Governor, rather than establishing the Bank as a completely independent entity on the German or US model.

"The government retains the right to give instructions but it must be done publicly," he says. "It is a long way from the traditional Bank of England model, and in some ways the ability of the government to dismiss the Governor makes us even more keen to achieve the target."

PROFILE: David Caygill



David Caygill: an exponent of no pain, no gain

IF LABOUR loses the election, it will be primarily because the opposition National Party has convinced the electorate that the Government's economic policy has failed.

In most elections the penalty for failure would be the political eclipse of the minister responsible, especially if he was identified with an unpopular strategy.

That fate is not likely to befall Mr David Caygill, New Zealand's Finance Minister, and the man in charge of completing the shake-up begun by former Finance Minister Mr Roger Douglas six years ago.

Far from facing political oblivion, Mr Caygill is being spoken of as a possible successor to Mr Geoffrey Palmer, the Labour leader, if the government is defeated.

His star is rising because he has emerged as one of Labour's best front bench parliamentary spokesmen since Mr Douglas and Mr David Lange, the former Prime Minister, retired to the back benches last year.

At a time when the confidence of National Party MPs is at a high, his robust defence of Labour's policies of deregulation and a tight monetary regime has helped to rally the party for the election battle.

He has also won many friends both within the Labour Party and among the media by admitting frankly that it is the pain caused by the government's economic reforms which has prompted Labour

received with little enthusiasm by the business community, but that says more about the speed of reform over the last five years than it does about what we are doing now."

Mr Caygill does not deny that his approach differs from the flamboyant Mr Douglas, who floated the New Zealand dollar, abandoned import quotas, deregulated the financial sector, and started the process of getting the government out of business.

He says, however, that there has been no change in the thrust of the policies he believes will deliver increasingly rapid growth over the next few years.

"I have no sense of slowing down. Roger was an ideas person. He would disappear for several days and come back with a grand pronouncement. I am more of an incrementalist. But that is not a matter of passing or consolidating," he says. "We can achieve high rates of sustainable growth in this country. We should not accept less than 3 per cent real growth, and we should aim at 5 per cent. That is ambitious, but we should be ambitious."

"The way to achieve that is to have a more competitive economy, and that is what we have been doing. There has been a lot of pain, but New Zealand is not going to Hell in a handbasket."

If he is to remain in office, Mr Caygill has three months to get that message across to a sceptical electorate.

New Zealand is caught between traditional affiliations and geographical reality

A shift in perceived identity

NEW ZEALAND's foreign and defence policies have been dominated over the last six years by the Labour government's refusal to accept nuclear armed or powered ships in its territorial waters, and a long-running row over the sinking of the Greenpeace ship Rainbow Warrior, bombed in Auckland harbour by the French secret service.

The ban on nuclear armed or powered ships caused a rift with the UK and US, both of which refuse to confirm or deny whether their naval ships carry nuclear weapons, and has put an end to intelligence exchanges and military exercises with the US.

Relations with France have improved following indepen-

dent arbitration on the punishment of the agents who attacked the Rainbow Warrior, but New Zealanders continue to be angered by French nuclear tests at Mururoa atoll in the Pacific.

In both cases, the government's hostility to nuclear activity stems from New Zealand's developing perception of itself as a South Pacific island state, albeit with global trading interests, rather than an outpost of Europe with European or North American defence interests.

Mrs Fran Wilde, the Disarmament Minister, says this refocusing of strategic priorities has led, for example, to a change in the pattern of voting at the United Nations, where

New Zealand has abandoned its largely uncritical support of the US in favour of a more independent line. There have also been major changes in defence priorities as New Zealand has begun to abandon forward defence against high-level threats in favour of a strategy intended to deal with low to medium level threats in the Polynesian islands.

At the same time, however, New Zealand is increasingly pinning its policy towards the countries of Melanesia, Micronesia and South-East Asia on a greater degree of co-operation with Australia, especially in defence equipment procurement.

New Zealand's increasing interest in the Pacific region was set out recently in a report entitled Towards a Pacific Island Community, produced for the government by an independent review group.

"After a thousand years of Maori settlement and nearly two centuries of European settlement, New Zealand is increasingly coming to grips with the realities of its geography," the report concluded. "This report is part of that process. It is about coming to terms with our neighbourhood, and New Zealand's place as one of a community of Pacific island countries."

The reality of the neighbourhood is that only a small proportion of New Zealanders have spent much time in the Pacific countries, and fewer still would yet regard their country as part of a Pacific Island Community.

New Zealand is, however, by far the biggest power in the region (excluding Australia, which is developing a more Asia-oriented foreign policy), and has close kinship ties with the island states through the 30 per cent of its population who are of Polynesian origin.

New Zealand also has constitutional responsibility for the defence of the Cook Islands, Niue and Tokelau, and claims that its anti-nuclear stand is widely supported throughout the region.

The report identifies increased trading opportunities within the Pacific, and concludes that there are opportunities for New Zealand to offer significant political and cultural leadership, particularly in the development of constitutional change in some of the island states.

However, it acknowledges that much of the increasing interest in the region within New Zealand has been generated by the emergence in recent years of terrorism, hijacking, external interference, and military interventionism, especially in Fiji.

"The Rainbow Warrior case of state-backed terrorism, the hijacking of [an] Air New Zealand aircraft at the time of the first military coup in Fiji, and Libyan meddling in the region, all demonstrate that these are not just hypothetical problems," the report says.

The report has not yet been endorsed by the government, but its main conclusions on the need for closer economic, political, diplomatic and defence relationships have been sympathetically received by ministers.

Mr Peter Tapsell, the Defence Minister, says New Zealand has been slow to come to terms with the reality of its geographical position, but has finally overcome its dependence on overseas powers - first the UK, later the US - to come to its aid.

Government thinking now is that there is no threat of external invasion or attack in the region in the next decade, in spite of expanding military capacity in some of the Pacific rim and Indian Ocean countries to the north.

As a result, New Zealand is developing a two-pronged defence effort:

- The ability to intervene against terrorism or internal upheaval, and to provide disaster assistance following earthquakes or cyclones anywhere in the Polynesian island.
- Close co-operation with Australia to deal with similar events elsewhere in the Pacific, and to provide joint defence

against a higher level threat, which would most probably come from Indonesia. To this end New Zealand is spending nearly NZ\$1bn to buy, equip and man two Australian-made frigates, and maintains a force of 20 Skyhawk strike aircraft as its contribution to joint air defences.

There is anxiety, however, that a 28 per cent cut in the defence budget over five years, forced on New Zealand by the weakness of its economy, could force a choice between these two areas of concern. These anxieties were voiced strongly by the Pacific Island Community review group, which said it was concerned about cuts in South Pacific military operations which could have unforeseen adverse consequences.

The review group called for the ability to operate throughout the South Pacific region to be made the government's top defence priority, with funding preference over preparations to respond to higher level threats from elsewhere.

For the moment, the government appears likely to continue to try to fulfil both objectives, relying on improvements in efficiency and more up to date equipment to bridge the funding gap.

Meanwhile, the row with the US over nuclear policy appears to have had little long-term impact on New Zealand's relationships with the US and other western countries. Mr Mike Moore, Foreign Affairs and Trade Minister, says the US has effectively quarantined the defence dispute, allowing the two countries to develop a more or less common approach to agriculture in the current round of talks on the General Agreement on Tariffs and Trade, for example.

Ministers also have high hopes that Australian proposals for an Asia Pacific Economic Community will begin to make rapid progress following further meetings planned for later this year.

Kevin Brown

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THE Antarctic is unique. It is the world's coldest and highest continent, a harsh and impenetrable landscape. Several countries, including New Zealand, maintain extensive scientific stations working to unlock the secrets of this huge, frozen world. The United States's McMurdo station has a summer population of more than 1,000, with a cinema, church and shop.

New Zealand has a natural link with the Antarctic. When Captain Robert Falcon Scott went to the South Pole, he stocked up on provisions and set sail from Lyttelton, the port of Christchurch. These days, during the summer months, giant cargo jets maintain a weekly service from Christchurch to the South Pole and McMurdo Sound as part of the Antarctic scientific exploration programme.

New Zealand has always played a lead role in international regulation of the Antarctic and in formulating treaties. The first treaty, designed to protect the world's largest and last unspoiled continent, was signed by 25 countries.

One clause in that prohibits any alteration or review of the treaty for 30 years. That period is now ending, and any signatory can call for a review next year. So far, no country has done so. If a request for a review conference is made, it must be held, but all 25 member nations must agree to any amendment or change.

If any country failed to have its ideas on change adopted, it would have to withdraw from the treaty if it wished to pursue its own policies.

The world has developed dramatically since the treaty was first signed in 1959, and today the possibility of oil or mineral exploration and even mining being carried out in the Antarctic is more feasible.

In 1982 concerned countries began debating the need to control mineral exploration and mining. From 1983, the Antarctic Minerals Convention, signed at a conference in Wellington, provided a framework to regulate any proposed mineral activities. It also covers such aspects as pollution and protection of the environment.

The Minerals Convention is strongly opposed by Greenpeace, which maintains it allows a country to begin mining operations in Antarctica. Treaty supporters argue that it controls and places limitations

on any such activities.

Two countries which did not sign the convention, France and Australia, are however out for more protection for the Antarctic environment and a total ban on mining. They are, in effect, advocating a world park, an idea strongly favoured 30 years ago by New Zealand, which dropped it in favour of the Minerals Convention, when it gained no international support.

Earlier this month New Zealand's Prime Minister, Mr Geoffrey Palmer, announced plans which incline back to that idea: the promotion of a moratorium on mining in the Antarctic to replace the voluntary restraints of the Minerals Convention.

In addition, a protocol to the Antarctic Treaty will be drafted and put to a meeting of treaty partners in Santiago, Chile, later this year. Pollution will be an important topic at this conference. In the severe, below-freezing temperatures, waste materials do not rot, decay or rust as they do in more temperate climates, so rubbish and pollution simply accumulate. Last year, Greenpeace published photographs of unsightly, long-established rubbish dumps at the American base in Antarctica. This had an immediate effect. The US is now putting considerable effort into cleaning up the pollution and shipping the rubbish out of Antarctica.

Another cause for concern is the possible effect on the environment of the growing tourist traffic. Argentina and Chile regularly run cruise ships into the area; some adventure-type tours now take tourists to Antarctica by charter aircraft; and Australia is planning to renew scenic tourist flights next summer. South tour operators have talked of building airstrips to accommodate large jets and hotels - a prospect which fills environmentalists and Greenpeace with alarm.

They strongly oppose any such suggestion because of the waste disposal problems. Their fears were given credence a few months ago when there was a serious oil slick when an Argentinian ship ran aground.

The ecology in the Antarctic is extremely fragile. Any disruption to the food chain or the natural environment of the Antarctic, or its wild life, could have a disastrous effect, and in the severe conditions could be irreversible.

Dal Hayward



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The economy may be on the brink of sustained growth – or maybe not, writes Kevin Brown

Opinion divided on reforms

AFTER six years of radical reform, the New Zealand government claims the economy has emerged from a vacuum of regulation and subsidy, and stands on the threshold of sustained growth.

However, the economy is in the third year of a shallow recession, and some businessmen and economists claim it is being strangled by high interest rates and an over-valued currency. Many favour a managed devaluation to boost exports.

The reforms pushed through by the government have been extensive, including the floating of the New Zealand dollar, financial deregulation, abolition of import quotas, tariff and tax reform, creation of arms-length state-owned enterprises, and privatisation of mines, aviation and telecommunications.

"The government sees itself as having addressed a major micro-economic imbalance that existed five years ago," says Mr David Caygill, the Finance Minister. "We have gone through the pain, and now we are poised to reap the rewards."

The biggest success has been against inflation, which has declined from 16 per cent in 1985 to an underlying rate of less than 5 per cent (excluding consumption tax increases), and is on track to fall to less than 2 per cent in 1993.

There has been a big reduction in public debt – to around 60 per cent of Gross

Domestic Product from 91 per cent in 1987. It is forecast by the Treasury to fall to below 50 per cent by the end of 1992, largely as a result of asset sales.

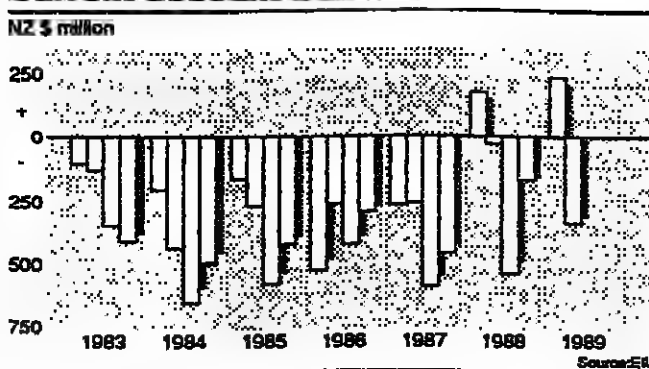
The financial balance, which measures the soundness of the government's own finances, has improved from an average deficit of 5.3 per cent of GDP between 1981 and 1984 to a deficit of 1.1 per cent in 1989/90 (excluding asset sales). This is forecast by the Reserve Bank to fall to 0.5 per cent of GDP in the current year.

However, progress against inflation has been achieved at the cost of high real interest rates, albeit below UK and Australian levels, which have helped to stifle growth and push up unemployment from 3.9 per cent to more than 7 per cent in four years.

Meanwhile, productive investment has languished, and the Reserve Bank says the deficit on the current account of the balance of payments is likely to have reached nearly 6 per cent of GDP in the year to March.

The government claims that investment and growth will pick up after the election due in October, while the current account deficit will decline as an export-led recovery gets under way.

Current account balance



This view is supported by the Reserve Bank, which is forecasting real GDP growth of 2.1 per cent this year and 2.9 per cent next year, following negative growth of 0.1 per cent for 1989/90.

However, more pessimistic forecasters, such as the Berl group, suggest GDP will fall by 0.6 per cent this year before recovering to show negligible growth of 0.8 per cent next year.

The ANZ Bank, taking a middle line, predicts GDP growth of 0.4 per cent this year and 2.3 per cent in 1991/92. The outlook for the current account deficit remains poor in the view of almost all commen-

tators. The Reserve Bank, which among observers takes the most optimistic view, forecasts strong export growth combined with a slight fall in imports, leading to an improvement in the deficit to 5.2 per cent of GDP, or NZ\$3.7bn for the current year.

The Berl group, which takes a gloomier view of the prospects for import penetration, suggests that imports will rise by 4 per cent in each of the next two years, increasing the deficit to just under NZ\$5bn by 1991/92.

Berl says that could lead to strong downward pressure on the NZ\$, currently at around 61 per cent of its 1979 value

on the trade weighted index – which the Reserve Bank says is "about right" in present circumstances.

"It is likely that as the seriousness of the balance of payments deficit unfolds and the prospects of an improvement grow dimmer, the financial markets may well write down the value of the New Zealand dollar," the Berl report says. "Currently there is about a 30 per cent risk of this development, but it is continuing to rise as overseas recognition of New Zealand's difficult situation increases."

"One problem with a market-led depreciation is that an over-shoot is almost certain, and we would expect an initial movement of the order of 20 to 30 per cent."

Many of the local businessmen would welcome such a development because of the boost it would give to commodity exports, although most would prefer a managed reduction combined with a fall in interest rates, which would further help to boost domestic activity.

This course is rejected by Dr Donald Brash, the Governor of the Reserve Bank, who believes it would be inflationary.

He argues that a falling currency encourages exporters to

sell on price rather than quality, service and added value.

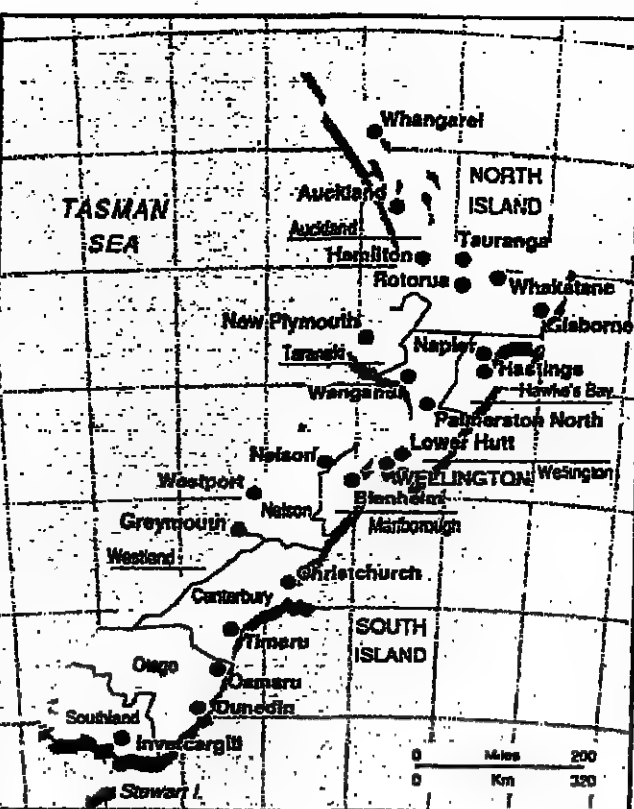
However, a number of independent economists have called for a devaluation to offset the impact of a downturn in export prices for New Zealand's agricultural exports, which were worth NZ\$8.3bn in 1989, compared to NZ\$2.2bn from tourism and NZ\$3bn from manufacturing.

Mr Len Bayliss, a director of BNZ bank, and formerly the bank's chief economist, says that Mr Roger Douglas, the former Finance Minister, was right to attempt major micro-economic restructuring of the economy, but made a cardinal error in persisting with a tight monetary policy aimed at inflation.

"The consequence has been a substantially over-valued foreign exchange rate and high real interest rates which have made it impossible for the economy to grow and so re-employ redundant resources," Mr Bayliss says.

On his view, the consequences of tight monetary policy have been disguised by high migration, which has restrained the unemployment rate, and by a 24 per cent improvement in the terms of trade over the last three years.

"Without this NZ\$3.5bn-\$4bn export boost, it would have been obvious at a much earlier stage that the government's policies had failed, and more appropriate macro-economic policies could have been implemented," says Mr Bayliss.



KEY FACTS

Area	268,112 sq km
Population	3.3 million
Head of State	Queen Elizabeth II
Currency	New Zealand dollars
Average Exchange Rate	1.67 NZ\$/US\$

ECONOMY	1988	1989
Total GNP f	38,848**	36,207**
Real GNP growth	-0.1%	0.8%
GNP per capita (US\$)	11,771	11,577
Current Account Balance f	-522	-2,083
Debt as share of GDP	28.9%	36.7%
Exports incl. non-factor sves f	8,784	8,825
Imports incl. non-factor sves f	6,748	8,009
Trade Balance f	2,041	818
Trade Dependency*	40.0%	44.1%
Total reserves minus gold f	2,838	3,027
Inflation	6.4%	5.7%
Unemployment	5.0**	7.4%*
FTA NZ (Dec 1985 = 100)	113.5	128.4

* Exports plus imports as % of GNP
 ** Fiscal year ending 31 March
 † Figures expressed in US\$m
 Source: IMF, Economist Intelligence Unit

BANKING

Battered, but surviving

ALTHOUGH the New Zealand banking system has survived the turmoil of 1988 and 1989, when many banks suffered huge losses, it has not fully returned to the stable and settled environment most bankers would prefer. Many banks still feel the pain of losses incurred by unwise loans to entrepreneurial investment groups which collapsed after the 1987 share crash, almost dragging one or two New Zealand banks down with them.

In retrospect the lending debacle resulted from inexperience in handling the newfound freedom of the complete deregulation of the financial and banking systems in 1985. This was combined with overconfidence generated by the heady euphoria engulfing almost all New Zealand's financial and banking world, share markets, and investment operations.

For decades New Zealand had the most rigidly controlled banking system in the Western world. When deregulation happened, there was rapid expansion and intense competition. From only the long established four trading banks, New Zealand today has 21 registered banks.

Bank income from interest earnings is well down and still falling. As profits from traditional banking decrease, banks are forced to consider operations such as real estate, insurance and travel.

The banks have also had to take a hard look at their own internal operations. There has been widespread reorganisation and the quality of management, effectiveness of internal controls and approach to lending have all improved dramatically.

Most banks have also abandoned their global aspirations to become regional or Australasian banks. Even those owned by foreign parent banks operate on a regional basis.

Competition has focused greater attention on the personal customer. All banks, particularly those involved in personal banking, are striving to develop more sophisticated information systems.

Some in the industry claim New Zealand is now over-banked. Certainly some who rushed to set up a New Zealand operation after deregulation found this much more difficult and costly than anticipated. Some are now maintaining only a presence in the New Zealand scene. One, the Canadian Imperial Bank of Commerce, closed its New Zealand operations last year.

It is unlikely all the present players will remain by the end of the decade. There will almost certainly be mergers and more closures, and with one exception no new banks coming into the country. The exception is the former government-owned Rural Bank, a lender in the rural area for traditional farming purposes. It is expected to broaden its base, offering other banking services to its farmer clients and to seek registration.

The introduction this year of the Reserve Bank Amendment Act was important for all banks. This gives the central bank – the Reserve Bank – the framework to operate a prudential supervisory role over registered banks. It places special requirements on them, which gives banks a higher standing than other financial houses.

Before deregulation, finance houses and other non-banking institutions were operating bank-type activities from which the banks themselves were excluded. Since deregulation, banks have regained better standing and the role of the financial houses has declined accordingly.

With their strong emphasis now on customer service and personalised information data, the banks are likely to increase their influence even more in the year ahead.

Dai Hayward

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NEW ZEALAND 4

The Trade Minister is arming himself for the Gatt talks, writes Dai Hayward

NZ is knocking on the world's door

A ONE PER CENT increase in its dairy trade would create 20,000 new jobs in New Zealand. This is just one reason why Minister of Trade Mr Mike Moore is adamant that progress must be made in removing barriers to world agricultural trade, in the General Agreement on Tariffs and Trade (GATT) talks at the end of this year.

He warns that if this does not happen, NZ will join a number of other countries which, he says, are prepared to walk away from the talks, refusing to accept any face-saving compromise or sign a communiqué which papers over disagreements.

Both New Zealand's major producer boards - dairy and meat - stress the need for improved access to the EC, Japan and the US. Their agricultural industries, the most efficient in the world, producing cheap meat and butter, are shut out of many markets by trade barriers, quotas, complete bans or heavy levies or tariffs. The dairy industry in particular is pressing for an end to dumping by the EC which, the board says, creates instability in world markets.

New Zealand, like other members of the Cairns Group, will take a strong stand in the talks at both official and ministerial level. The group has agreed to resist any move to set up a new trade organisation which might give the illu-

sion that something had been achieved by ministers in the GATT talks.

Mr Moore says politicians from some countries reluctant to admit failure could use the creation of a new trade organisation to claim this was a step forward, while the main problems really remained unsolved. "We won't accept that. We won't do a whitewash. We will walk away if there is no agreement," he says.

New Zealand strongly supports the Cairns group programme which would completely reform agricultural trade over a 10-year period. Unlike some farming countries, New Zealand is not pushing only for greater access and liberalisation of agricultural trade; it also wants a more free climate for service industries such as banking, insurance, international investment and consulting services.

It has tabled a proposal at the preliminary negotiations calling for the establishment of the General Agreement on Trade in Services - GATS - similar to GATT.

It has also suggested minimum standards to be incorpo-

rated in each member country's laws to protect patents, copyright, industrial designs and similar aspects of service industries.

New Zealand believes that if the right agreement can be reached, the increased opportunities will more than compensate for any loss some countries might suffer through removal of protectionist trade barriers. Mr Moore points to France as one country which he claims would benefit through investing its service

industries; as would the City of London.

While New Zealand farmers already know what agricultural trade barriers are costing them in reduced incomes, an international study group says New Zealand's trade balance would improve by US\$2.4bn if these were removed.

New Zealand's total export earnings last year were just over NZ\$15bn. The largest export market is Australia, which takes NZ\$2.8bn or more than 18 per cent of all exports.

Next comes Japan and the US, both buying between 15 and 16 per cent, then Britain with 11 per cent.

Since the advent of the Closer Economic Relationship - CER - trade agreement between New Zealand and Australia in the 1970s, trade between the two countries has boomed. Initially it was 4:1 in Australia's favour. Five years ago the present government launched a "get into Australia" campaign to encourage manufacturers, including small

firms, to enter the export market. Between 1983 and 1989 New Zealand exports to Australia increased by 174 per cent, with the growth being almost 2:1 in New Zealand's favour.

Now trade is almost balanced. Last year exports to Australia at NZ\$2.8bn virtually matched imports.

On July 1 this year all remaining trade barriers, tariffs, duties and other prohibitions on goods trade between the two countries was abol-

ished. This was five years faster than the original timetable, and reflects the success of CER to both countries.

Now the two governments have agreed to tackle the next step: the harmonising of tax administration, accountancy regulations, company law, legal requirements, telecommunications, shipping and aviation agreements.

New Zealand manufacturers and exporters are encouraged to consider Australia part of their domestic market. They have embraced this concept with some surprising results: the largest exporter of Australian mutton to Japan, for instance, is a New Zealand company. There are many other similar examples.

CER has also given New Zealand manufacturers and exporters the experience and confidence to tackle export markets further afield. Many have now established worthwhile niche markets in the US and EC. Individual manufacturers have broken into specialised markets with a surprising range of products - fuel tanks for Tiger Moth aircraft, cellular radios and computer

software are just a few. There is a perception that New Zealand sells only butter, lamb and wool to Europe. In fact the EC is now New Zealand's largest export market for wine, leather, hides, apples and kiwi fruit. Less basic things also feature: just last month, for instance, a safety hat manufacturer in a small New Zealand provincial town beat competitors from all over the world to supply the London Fire Brigade with its new firemen's helmets.

The EC is NZ's largest market for wine, leather, hides, apples and kiwi fruit.

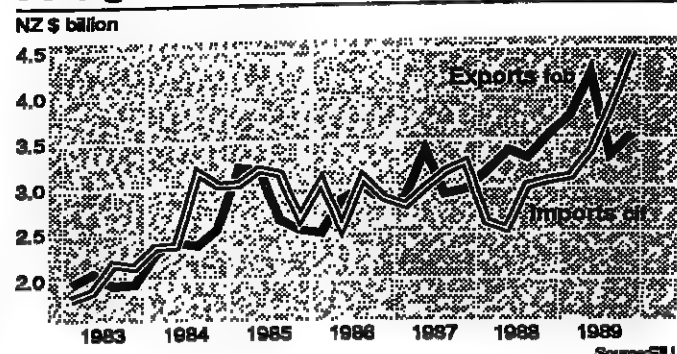
As a Pacific rim nation, New Zealand is also steadily expanding its trade in the area which has been described as the most dynamic region in the world. Last year the economies of Pacific countries grew by 7.5 per cent in spite of the fact that they contain some of the poorest in the world.

Inter-regional trade in the Pacific, in which New Zealand is a participant, is growing faster than between the 12 countries of the EC. New Zealand exporters no longer look only towards a small group of traditional countries as potential markets. Today they have become experienced international traders.

DIRECTION OF FOREIGN TRADE				
	EXPORTS, £m		IMPORTS, £m	
	1988	1989	1988	1989
Australia	128.45	139.94	132.36	132.09
Japan	123.84	123.51	124.74	124.74
USA	100.22	97.41	101.58	119.27
UK	55.16	53.03	52.78	64.70
South Korea	17.14	24.77	14.68	14.52
West Germany	16.18	16.74	30.00	30.75
USSR	13.78	15.08	-	-
Taiwan	34.16	14.67	-	-
Saudi Arabia	-	-	20.48	25.51
			15.05	21.53

Monthly averages shown, in NZ\$m. Source: EU country profile, New Zealand

Foreign trade



THE All Blacks, New Zealand's national rugby team, convincing winners of the first Rugby World Cup and unbeaten in four years of international competition, are the undisputed Rugby Union world champions.

This, however, is only one sport in which New Zealand athletes have achieved world prominence. New Zealand, with a population of less than 3.2m, is recognised as one of the outstanding achievers in world sport. Its medal tally at both Los Angeles and Seoul Olympics, on a per capita population basis, far exceeded that of any other country. At Los Angeles New Zealand's actual medal count was higher than its traditional sporting rival, Australia, much to the delight of Kiwis and chagrin of the Australians.

First and second places in the recent Whitbread Round the World Yacht Race were filled by New Zealand yachts and crews. Sir Richard Hadlee, greatest wicket taker in Test cricket, continues to outwit opposing batsmen. Susan Devoy, six times world champion, continues to dominate world squash. In the past two years New Zealand is, or has been, world champion in 10 men and women's softball, bowls, netball, yachting, sculling, canoeing, kayaking, several classes of sailing, men and women's rowing and in

SPORT

Outstanding achievers

women's marathon running. Mark Todd, riding Charisma, was the first person in 50 years to win the three-day eventing gold medal at successive Olympics. Two years ago Todd was also first and second on different horses at England's premiere equestrian event, Burleigh; while another New Zealander, Tinku Pottinger, was fourth and sixth at the same event.

Erin Baker has won the grueling world women's triathlon championship three times. In 1988 compatriot Richard Wells became men's champion. Veteran New Zealand golfer Bob Charles first won the British Open in 1963. Last year, playing in the veteran masters circuit, he won US\$725,000, and in four years in the US seniors circuit he has become the leading money-earner. Young compatriot, 16-year-old schoolboy Stephen Alker, shot a record 189 to win the 1989 schoolboys world golf championship on Sunningdale Old Course.

Many other New Zealanders

have collected honours or championships in a whole range of sports from sailing to kayaking. Why does New Zealand excel in the sporting arena?

The first reason is the healthy environment. New Zealanders enjoy an abundance of healthy food, fresh air and easy access to the outdoors, which leads to a lifestyle in which sport thrives.

High among other reasons comes pride in their country. New Zealanders are out to prove that although they come from an isolated and distant land, they can beat bigger, more affluent countries which have the benefit of higher sporting technical facilities.

Commitment and initiative are other factors. Canoeist Olympic gold medalist Ian Ferguson, camped in a tent alongside the course when competing for a world title because he could not afford accommodation. Ferguson, now holder of six Olympic gold medals, a silver, a bronze and a

handful of world championships, later received a grant from the New Zealand Sports Foundation to help cover such costs.

The Foundation, established in 1979, channels assistance to promising New Zealand sportsmen and women so they can develop their full potential. To travel to events in the northern hemisphere is expensive for New Zealand - especially when equipment has to be shipped. Foundation grants to individual sportsmen help cover such essential costs.

New Zealand sportsmen combine a supreme dedication to training and coaching with resourcefulness. Many New Zealanders are practical do-it-yourselfers. Often driven by economic necessity, they will make or devise their own equipment. Sometimes they are resourceful in their own right. A group of young dinghy sailors, for example, with no technical knowledge, developed new sail and rig concepts which made New Zealand Olympic 407 class crews unbeatable for several seasons.

A final consideration is public attitude and social atmosphere. New Zealand is a great sports-loving country, in which any youngster showing potential receives the opportunity and encouragement to make it to the top.

Dai Hayward

Maoris get a serious hearing

CLAIMS by Maori tribes in Taranaki Province for compensation for return of land and resources, alleged to have been confiscated by the Pakeha (whites) 130 years ago, and now worth billions of dollars, will be heard by the Waitangi Tribunal - a semi-judicial body - in October.

The claims, with a common thread of compensation, are the largest the tribunal, which adjudicates on Maori issues, has dealt with in North Island.

The fact that a century later a judicial body is hearing claims reflects the long dissatisfaction on the part of Maori people at the way the Pakeha partner failed to honour the Treaty of Waitangi, under which New Zealand was ceded to Britain - as well as the effort of the present government to resolve these grievances.

The treaty of Waitangi, guar-

anteed Maori lands, fishing rights and treasures. Maoris say the treaty was never properly upheld. Certainly land was confiscated, and the rights of Maoris frequently ignored by early governments.

The past decade has seen growing pressure from Maori lobby groups to redress some of the perceived injustices. With the more sympathetic attitude of the present Labour government - the first to give the treaty legal status under New Zealand law - claims multiplied. This, along with "anti-white" action by Maori extremists, led to a white backlash and growing racial tension. However, over the last year, with a better understanding of one another's point of view, controversy has eased.

The basic Maori argument is simple as expressed by activist, lawyer Moana Jackson, who says: "The Pakeha did not hold

their part of the bargain. No matter how much time passes the treaty must be honoured."

Ms Jackson, along with others, advocates a separate system of justice for Maoris. She argues that European-based law and justice systems are unfair to the Maori, and the reason why Maoris, who constitute only 13 per cent of the total population, provide 50 per cent of the prison population. This has been rejected by various governments, which insist all New Zealanders must have one set of laws.

Maori activists also want control of all things affecting Maoris in areas such as education and social needs. They also insist on compensation for wrongs inflicted when the Crown confiscated Maori land.

In many cases, courts and government have accepted this. In June the government handed over to descendants of

the original Maori owners one of New Zealand's most famous tourist attractions: share ownership and control of the Waitomo glow worm caves. The new partners also received NZ\$1m advance on expected revenue.

Moves such as this are helping to resolve some issues and improve race relations, but it will be many years before all outstanding claims are settled by the courts or tribunal.

Pacific islanders in New Zealand increased rapidly over the past 10 years. This, too, has caused friction between Maori and Polynesians, who have taken many of the lower-paid, unskilled jobs. There is a centuries-old tribal antagonism between different Polynesian groups and the Maori, who together total 15 per cent of all New Zealanders.

Dai Hayward

Dai Hayward reports on the position of the primary industries

Lifeblood of the economy

THE HEALTH of New Zealand's primary industries is vital to its economic survival. Together, dairy products, wool and meat provide 54 per cent of New Zealand's total export earnings. With horticulture and forestry included, they provide 70 per cent of all exports in dollar terms.

Last year the dairy industry alone earned NZ\$3bn - about 20 per cent of all exports. Although New Zealand has only 1.5 per cent of the world's milk, the New Zealand Dairy Board is the world's single largest dairy exporter. Its products are consumed in more than 100 countries.

New Zealand is, however, at the mercy of international political barriers and "fire sales" of butter and other dairy products at below cost prices by the EC and, to a lesser degree, the US. New Zealand has access to only 4 or 5 per cent of world dairy trade, and when thousands of tonnes of butter are dumped in these markets, New Zealand is forced to compete on what is seen as unfair terms.

Regular reductions in the quantity of butter New Zealand is allowed to ship to Britain - still its most important market - has been cut by a third. The 74,500 tonnes agreed in 1988 has dropped to 61,340 tonnes this year and a proposed 55,000 tonnes in 1992.

Meat producers, both lamb and beef, face similar problems. Although export production has been cut by a third, from 38m lambs in 1984 to 22.4m last season, New Zealand is still the world's largest lamb exporter. The fact that the UK is now the second largest reflects the effect of EC farm subsidies.

Agricultural subsidies in New Zealand were abolished by the present government after it took office in 1984. For a few years this had a traumatic effect on the industry, with many farmers going bankrupt.

In the past decade pre-tax income of New Zealand farmers fell steadily. Between 1975 and 1985 it averaged just under NZ\$30,000 (230,400). In 1985-86 it was NZ\$20,000 (last year it was \$25,500). Last year was the second worst year for New Zealand wool, lamb and beef producers since records began 38 years ago.

Wool growers watched wool prices slide steadily last season and do not expect any improvement in the current season. The huge stockpile in Australia, the economic problems in the Soviet Union which halted New Zealand wool sales and the absence of China from the wool market all contribute to the depressed outlook.

Farmers in all three producing sectors know their net income will be down this season. Each farmer is just as aware as the industry leaders of the importance of the GATT - General Agreement on Tariffs and Trade - talks achieving some freeing of agricultural restrictions, particularly by Japan and the EC.

Dairy farmers have been warned by their Board to expect a drop of NZ\$25,000 in their income this season. They have been doing better than meat or wool farmers for three years, but now their industry faces another lean period.

Mr Paul Miller, vice-president of the American Breeders Service, told the world agricultural forum in New Zealand in June that even a superficial look shows New Zealand dairy farmers to be more efficient at producing cheap milk than their European counterparts.

This was little comfort for an industry which, in spite of being the world's most cost-effective, is struggling against dumping. New Zealand farmers put the blame for their prob-

lems squarely on the EC and USA for dumping dairy products, especially butter, below costs on world markets.

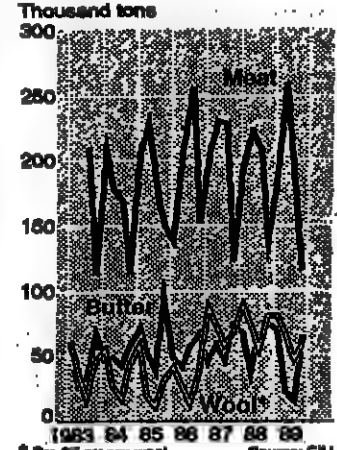
Import bans and quotas contribute significantly to New Zealand's dairy problem. New Zealand farmers are particularly irked by Japanese companies which buy New Zealand butter at US\$1,600 a tonne and retail it in Japan for US\$4,000 a tonne. The New Zealand dairy farmer can do little to diversify, because most dairy land is unsuitable for horticulture.

The average New Zealand dairy farm is 180 cows on 140 acres, milked by the farmer with the help only of the family. No other dairy industry in the world can match New Zealand for efficiency and cost effectiveness.

Last year New Zealand produced more than 1bn tonnes of export meat. It earned NZ\$2.4bn from lamb, beef and mutton with its most valuable market the USA, which takes most prime beef.

Including customers such as Norway (6 tonnes) and Brunei (1 tonne), New Zealand lamb is now sold in 75 countries; the UK is the biggest consumer,

Exports



Source: EU Pre-67-growth wool

last year eating 102,821 tonnes. Every country in the EC except Greece, where imports fell by 375 tonnes to 12,074 tonnes, increased consumption of New Zealand lamb last year - ironically enough, at the same time as the reduced New Zealand's quota of sheep meat. The current quota of 245,000 tonnes set last year comes down to 205,000 in 1992. There is no allowance at all for beef. New Zealand's meat industry leaders believe the country has received harsh treatment from the EC.

Consumers' patterns are also changing. Iran once bought 100,000 tonnes of New Zealand lamb a year; by last year this was down to 8,000 tonnes, partly because it was not prepared to pay world prices. The recent easing of Japan's beef quota has been hailed, and although imports initially face a 10 per cent levy, exporters believe this is the chance to increase Japanese beef consumption.

Wool growers face an income drop in spite of efforts by the New Zealand Wool Board to maintain floor levels and farm earnings. This year the board has spent more than NZ\$3m buying wool at auction to maintain prices. During the season the stockpile climbed fourfold - from 100,000 to 450,000 bales. Although it would prefer to see wool flow into consumption, the board is committed to continuing a price support scheme.

With the over-supply position, however, market prospects are not buoyant. It will require a 6 per cent increase in consumption each year to absorb the increased production in Australia and other countries.

In the long term, however, prospects for all New Zealand farm industries depend on the liberalisation of world agricultural trade.

From little pine kernels, giant profits grow

MORE than 550,000 ha (1.3m acres) of state-owned pine forests, the largest area of intensively managed industrial forest ever offered anywhere at one time, is up for sale.

The trees, in 99 different forests, are mainly radiata pine planted in the late 1950s and early 1970s to supply New Zealand's expanding forestry-based industries, and sustain an important export market.

More than 100 companies, including 50 foreign ones, are potential bidders. The expected price for the total forest is between NZ\$2.5bn and NZ\$4bn. Most of the interest is coming from Asia, with North American and European companies also interested.

To placate public opposition and critics of the sale, who include former Prime Minister Sir Wallace Rowling, the government is stressing that only the logging rights to the trees are to be sold. It retains ownership of the land but the buyers will also get the roads, buildings and other infrastructure existing on the forests.

Successful bidders have a minimum 35-year lease but also have an automatic annual one year renewal provided they pay their rent and replant the logged areas in trees or grass. This in effect means that timber companies will have a perpetual right to timber from their leased areas.

This appeals to several foreign companies anxious to obtain a permanent renewable timber supply. The fact that the forests are already planted, and efficiently and skillfully managed to provide a renew-



A forester at work: exports are worth NZ\$1bn a year, and it is predicted they could be five times this by the end of the decade

able timber resource, as distinct from native unmanaged forests, also appeals to companies abroad.

State forests represent about half of New Zealand's softwood forest plantations of 1.2bn ha. The expanding and profitable private forest industry, including newspaper and pulp mills, relies on both private and state forests for wood supplies. The state also has a large export trade in logs and sawn timber.

New Zealand forestry exports are now worth NZ\$1bn a year, but with the increase in timber production predicted to reach 30m cu m annually before the end of the decade, export receipts could increase to NZ\$5bn.

The New Zealand Forest Corporation, formed to take over the former government department which logged 5.9m cu m from

the state forests during the past year. Most of the exports were shipped as logs. Korea and the Republic of China are big customers for logs, while Japan buys large tonnages of logs and wood chips.

The Corporation formed three years ago produced a surplus this year over operating costs of NZ\$148m compared with NZ\$95m the previous year. This was a turnaround from the NZ\$90m loss incurred in its last year of running the state forests.

An analysis by international consultants reports increased New Zealand production this decade will be sufficient to sustain two or three new paper mills, one or two kraft pulp mills, two medium density fibreboard mills, 15 new saw mills and increased log and chip exports of around 5m

cu m a year. It would require an investment of NZ\$26m to establish these extra mills and processing plants. This can only come from large private companies, and was one reason the government put the forests on to the open market.

To safeguard timber supplies to small local companies, the new owners must honour existing contracts for two years. Forests established on coastal sand dunes or steep hills to stop sea or flood erosion must be replanted soon after the existing trees are logged.

While attention this year was focused on the state forests sale, private sector forestry companies have continued to expand. Large operators Fletcher Challenge Limited and Carter Holt Harvey both significantly expanded their operations into Chile. FCH with large operations also in Canada and the USA, is now one of the world's top three forestry companies. Both New Zealand forestry giants are strengthening their base and marketing strategy to take advantage of growing demand for wood products in Pacific Basin countries. Both are bidding for large tracts of the state forests.

It is estimated forestry trade in the Pacific Basin will exceed US\$20bn within ten years. New Zealand, with its expanding resources, is well placed to take advantage of this. One novel aspect of the state forests sale is that in addition to offering the trees, the Forestry Corp is also putting its management teams in the sale catalogue.

SMITH NEW COURT

Smith New Court Securities PLC has formed an association with Doyle Paterson Brown Ltd, one of New Zealand's leading stockbrokers, to market New Zealand equities to UK and European institutional investors.

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ARTS

The Wall

Potsdamer Platz, Berlin

The Wall has been broken up and sold to art collectors and memorabilia freaks around the world but on Saturday evening "The Wall" was rebuilt above Hitler's bunker on the Potsdamer Platz in Berlin in one of the most extravagantly ambitious live rock music concerts ever staged.

For the past two months, the two-man band between East and West Berlin has been occupied by the army of riggers and builders required to establish the set needed to support such a spectacle.

Site clearance, carried out by the most German military, produced a miscellaneous collection of guns, grenades and ammunition that would have merited any terrorist organisation's hoard. The concert, staged to launch Group Capital's "The Wall: A Musical Journey" and the Berlin International Fund for International Relief, aims to raise \$500m - \$5 for every life lost in major wars this century.

The fund will operate on a permanent basis, able to respond immediately to a disaster occurs, thus overcoming time wasted in establishing a new fund each time.

The original idea for the concert came from Mick Worwood, who was a major force behind Live Aid. Worwood is an organiser working for charities and has been involved in putting together some of the biggest rock concert events that have taken place.

To bring about "The Wall" - Berlin 1989 required the police and military co-operation of the four powers responsible for Berlin. Initial inquiries by Worwood for using Berlin were made last November, before the Wall was demolished and continued throughout the changing political scenario.

Agreements and plans for security, ticket sales and travel documents were all overtaken by political developments.

In a nation that has been divided for so many years, the connection between the Berlin Wall and Pink Floyd's album,

"The Wall" - written by Roger Waters as an expression of childhood alienation and suppression which leads to madness - is merely symbolic. But this did not detract from more than 150,000 people crowding into the Potsdamer Platz to enjoy a unique event which was also televised to an international audience of several millions.

Neither did the two power failures that interrupted the early part of the performance.

During the past few weeks there has been considerable coverage of the event in the musical press and more serious publications such as *Der Spiegel*, much of it critical. Spiegel was particularly scathing, questioning Waters' motives for staging such a performance and about his lack of success as a solo artist.

Roger Waters is "The Wall". Although all the musical elements in Saturday's concert were performed by an impressive line-up of musicians and singers from the archives of rock, without Waters singing the performance would have been deprived.

The first live performance of "The Wall" was in Los Angeles in February, 1980, since then it has been staged several times in the US, Britain and once in West Germany, but never before on this scale.

On Saturday evening a helicopter hovered above, menacing the crowd and sweeping the Potsdamer Platz with searchlights, while on the ground, bright spotlights raked the sky. Roger Waters' ten-piece Bleeding Heart Band, dwarfed on stage at various times by the huge inflated puppets of a teacher and a pig, which burst through the wall, and the largest musical set ever rapidly unfolding around them worked their way through the two hour performance.

Four screens, one 16 metres in diameter were used to display specially commissioned stills and Gerald Scarfe's animated images from the movie

and large areas of The Wall were used as a backdrop for a montage of tortured cartoons and war pictures.

The performance by the Bleeding Heart Band, which included Andy Fairweather Low on guitar, emphasised Waters' ability to put together a concert that ridiculed the statements of some of his critics.

Major roles in the piece were taken by Sinead O'Connor, Joni Mitchell, Van Morrison and Bob Dylan's old backing group The Band, whose voices and expressions had more directness and power than the original work by Waters' old group Pink Floyd. Van Morrison in particular cutting his way through "Comfortably Numb", the barrel-chested Belfast Cowboy breaking the words and phrases as only he is capable, supported by Garth Hudson and Levon Helm from The Band.

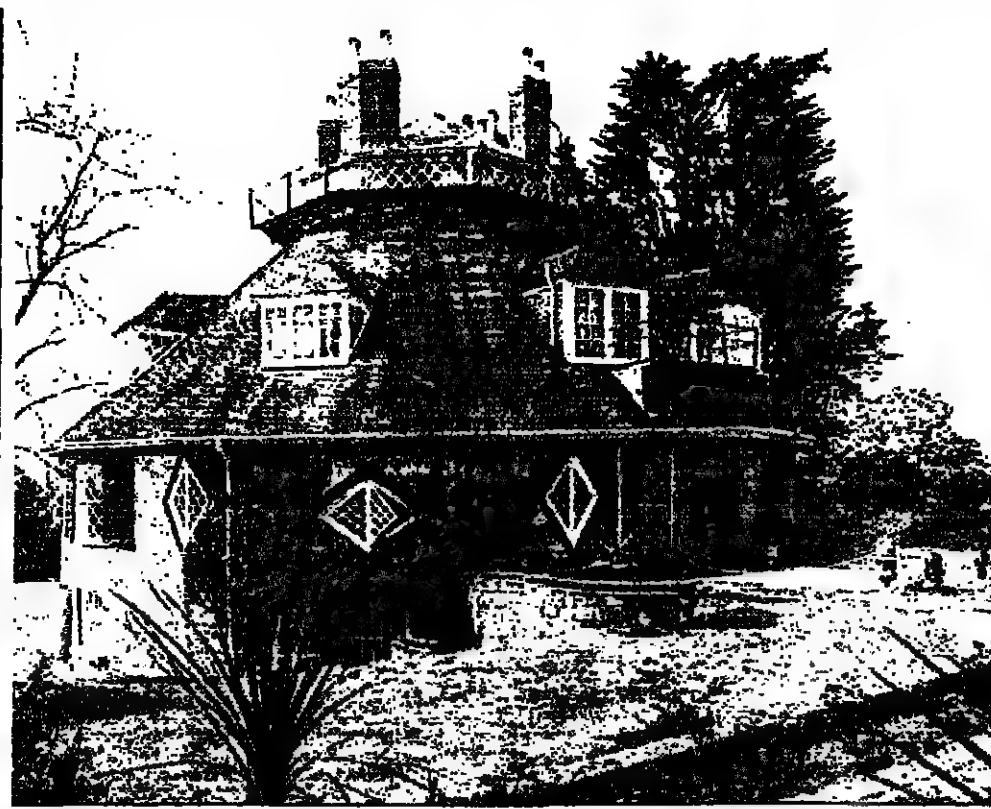
Unfortunately, the earlier stages were disrupted by power failures the second of which, of course, Sinead O'Connor, appearing suitably crop-headed as a young boy singing "Mother".

In the second half the Combined Marching Band of the Combined Soviet Forces in Germany occupied the stage, well-choreographed and filling the role that they could easily slot into in the developing political stage, a role infinitely preferable to being billeted in the railway coaches being used to house some of their colleagues who have already returned to Russia.

Even Jerry Hall, clad in party dress, breezed through a role for which her voice was totally appropriate - the girl on the telephone.

For all the splendour, drama and pyrotechnics, up to the climax of the evening, when the 2,500 bricks forming The Wall came crashing to the stage, the question must be, what does one do with so much waste styrofoam.

David Rushby



A la Ronde at Exmouth: likely to be bought by the National Trust

ARCHITECTURE

Have Pevsner, will travel

Colin Amery appreciates the legacy of an enlightened cicerone

It is impossible to imagine a world without Pevsner. As summer and travelling time arrives the Penguin Pevsners are in constant use. How fortunate we are that a German refugee should have had the immense dedication to complete a survey of every building of architectural importance in every county of England. What happens in deprived countries who were denied this visitation? Imagine the value of a Pevsner for Spain or Poland. And consider how much you could learn if the glory of French architecture had been made accessible through Pevsner's eyes. Sir Nikolaus Pevsner died in 1983 leaving behind a legacy of labour and enough accolades to ensure that regular revision would occur and that Ireland, Scotland and Wales would eventually be covered.

Recently two revised volumes have been published: *The Buildings of England, Lincolnshire* by Nikolaus Pevsner and *The Buildings of England, Devon* by Bridget Cherry and Nikolaus Pevsner. Both are published by Penguin Books. £20. A third new Pevsner has also just appeared, dedicated in timely fashion to Glasgow. This does not mean, of course, that Pevsner's name - it is by Elizabeth Williamson, Anne Riches and Malcolm Higgs and is published as *The Buildings of Scotland* in association with The National Trust for Scotland, also £20.

Devon is the third largest English county, and when Pevsner and his wife toured it in their Morris Minor in 1949 they thought it merited the two volume Pevsner treatment. Today the revisers have merged North and South into one volume, and in their introduction they mention the recent high rate of population growth (10 per cent in the last 30 years); the arrival of the motorways and destructive inner ring roads and car parks; waves of retirement homes; and casual treatment of some seaside towns. But there are many positive aspects to the changing nature of the county. There is a great deal of new historical

research: there is more interest in the landscape and the history of early settlements and rural buildings; and there has, of course, been an explosion of interest in things Regency and Victorian.

The Devon volume has many new improvements. There are more maps and plans, there is an excellent list of further reading and a new feature, the list of residents and patrons. I feel that the sacrifice of the glossary is a mistake. It was always useful to check on the real meaning of sharrowaggi and to know the difference between spires and spers. Possibilities for one-upmanship have been much diminished by the removal of this useful source of factual erudition. But it is a minor loss compared with the gains. The 20th century houses in Devon receive good coverage, from Lutyns's Castle Drogo to the work of William Laseaze at Dartington. It is hard to improve upon, "compelling abrupt sublimity" as a description of Castle Drogo.

The cottage flourished in the mild climate of Devon and one extreme example, A la Ronde at Exmouth, receives appropriate and approving coverage. This is an example of many houses in Devon which have been diligently and lovingly maintained, often against the odds, by private owners. Now A la Ronde is for sale and is likely to be acquired by The National Trust with help from the National Memorial Heritage Fund. The house is a superb example of a 16th century house in Devon, a sixteen sided plan that the Misses Farmer built in 1798 to remind them of San Vitale in Ravenna. It is the survival of the interior that is so remarkable, with all its decorative shells and feathers.

The ladies of Linggollen were another pair who dedicated themselves to building the modest ideas of the Picturesque, but A la Ronde is a unique survival and deserves to be lovingly preserved in aspic and not made too accessible by Pevsner. The acquisition of the property should render unnecessary any

of the proposed development around the house which would wreck the artful rusticity of the place. Perhaps the Trust will thatch it again...

Pevsner has played an important part in the preservation of our architectural heritage by providing factual evidence and cataloguing expertise to support sentiment. However, Pevsner was also a dogmatic Modernist, and his selection of 20th century buildings followed what he saw as the movements of the spirit of the age. Some of his followers are also a bit stuck in that old groove, but in the Lincolnshire volume I was struck by a willingness (presumably by Nick Antram) to acknowledge the value of the continuity of the conservative tradition.

But Antram has to admit that conservation does not triumph in Lincolnshire. There are two main problems. The rising number of redundant churches - there were 73 in 1989 of which 20 have been demolished - and the neglect of the rural landscape. He is right to point out the remorseless increase in "hopelessly insensitive additions" to individual buildings. This is true all over the country and must be the fruit of poor architectural education and spreading visual illiteracy.

Lincolnshire is a highly enjoyable volume that often has the virtue of direct and personal responses to the buildings. It remains a relatively secret county with many architectural wonders. What is *Silene Town Hall* doing in Grimby Dock in the form of J.W. Wild's Dock Tower of 1851? How many people see Grimsthorpe Castle, where the Great Hall by Vanbrugh is one of the greatest rooms in England? The madness of *Harlington Manor*, built in the 1830s as a palace for a bachelor, still dazzles with its orchestrated grandeur designed to impress. So thorough and intriguing is this volume that I was seriously tempted to take a holiday in Lincolnshire and travel with Pevsner - the enlightened cicerone and subtle educator.

PROMENADE CONCERTS

Davis returning to a former age

Royal Albert Hall, Radio 3, BBC2

The 96th season of Henry Wood Promenade Concerts opened on Friday. There is no theme this year and no excursions to other venues, save for a daily across the road into Kensington Gardens for a steady band concert during the Notting Hill Carnival. The sense of a return to a former age of Proms is reinforced by the programming, which seems more conservative than of late - fewer novelties (though there is the statutory flush of commissions), more emphasis on the repertoire staples.

One recent tradition at least has been preserved. During the last decade the season has always begun with a major choral and orchestral work, and so it was on Friday, with Andrew Davis conducting Mahler's Second Symphony with the BBC Symphony Orchestra and the choruses of the BBC Symphony and the London Philharmonic, an event dedicated to the memory of Davis's predecessor as the BBCSO's Chief Conductor John Pritchard, who died last December. It was a suitably stirring, suitably evocative occasion; one remembers Pritchard conducting the same orchestra in a typically relaxed version of the Resurrection Symphony a couple of seasons back, and the svelte, unfussy outlines of Mahler's Second shared some common ground with that approach.

The lack of grand guignol was welcome - a Ländler lurching less clumsily than often, a scherzo moving with

grace and wit - though the first movement took a while to catch fire.

There ought to be more terror in the opening shudders than Davis allowed, a closer sense of the apocalypse, and while he pulled together the threads of that sprawling frame with confidence, the drama was consistently set in a low key, and random impressions in the orchestral playing took the edge from some of the climaxes. Yet the final pair of movements was steered to a genuinely emphatic conclusion, without ever appearing to inject spurious excitement; everything about the music seemed to have been there from the start, and Davis we know to be a fine Straussian, and his Mahler, if not yet exceptional, has done all its groundwork, and can only gain in allure and intensity.

In one respect at least this performance was truly exceptional: in its pair of soloists, Margaret Price and Anne-Sophie von Otter, the symphony was graced with singing of perfect poise and intelligence. Von Otter's refusal to create all the emotional extremes from *Ulick* but to deliver it with sustained seriousness profoundly enhanced what can be one of the symphony's bathetic sections, while the sound of Price's limpid soprano, soaring over the choral textures in the finale brought frissons all of its own.

Andrew Clements

Less grandiose concert

Though the Bournemouth Symphony took on extra players for some of their programme, Saturday Prom was much less grandiose. Even though it included César Franck's D minor Symphony, for Andrew Litton is not a conductor to make anything sound grandiose, preferring alertness and a light touch instead. His Franck was set in its crisp contrasts, not in Brucknerian blocks; the tunes got full value, but were not milked - the cor anglais in the Allegretto was lyrically steady, not overwrought, and the buoyant Finale did not whop.

If this approach sounds more imposingly sombre, it usually risks flamboyance too. Litton's civilised reading steered safely between the well-known reefs, and the result was quite inspiring. Again in the *Till Eulenspiegel* of Strauss, he kept a discreet

bride on the hottest climaxes, but also let the many chamber-music touches show to advantage; it was a balance of engaging wit. There was less to be done for *The Happy Forest*, a forgettable nymph-and-satyr piece by Arnold Bax, but Litton suggested at least that there might be a decent little ballet in it.

The young Korean pianist Ju Hee Suh was the soloist in Liszt's A major Concerto. Beautiful technical finish, great breadth of sound (reminiscent of her teacher Jorge Bolet), pure musical intentions; I wanted just a bit more bang, narcissism, some "look at me!" preening. Liszt would never have denied himself that, and the piano does need some flashy filling-out.

David Murray

John Lill

Bishopsgate Hall

Lill is a doughty performer, which is just as well for it had to him last week to do the taxing task of lunchtime piano recitals which has become an annual fixture of the City of London Festival. Though it always looks attractive on paper, it seems a pretty thankless task.

The weather often swelters, as it did last week, and the audiences are rarely anything like as large as they should be, especially not for cushioning the acoustic glare of the Bishopsgate Hall.

That was brought home to me last week on Friday, when I happened to hear part of the Lill recital I'd just come from, broadcast as a delayed relay on Radio 3.

Without that domestic revelation, I should have written that Lill's recital, the 38 *Etudes* by Liszt, the pianist had sounded dogged and a bit dull (except in the A minor "Dies irae" one, which was imagined in rich depth); that his over-emphatic bass line - not, generally, an asset in his concert - was a nuisance; that, returning, whilst denying the proper sheer to Rakhmaninov's virtuoso right-hand fanfares. But I might have said analogous things about Lill's account of the Prokofiev Sixth Sonata (though that big-boned piece did offer more scope to his sturdy architectural sense); and on the Radio 3 evidence,

David Murray

Royal nightdress for sale

Queen Victoria's nightdress and some of her underclothing are included in a sale today of one of the largest and best preserved collections of textiles and garments from the Royal household.

Fifty items in the sale at Tumbidge Wells, Kent, were given to the Queen's dresser, Mrs E.M.A. Roberts, more than 100 years ago. The nightdress is worked in white fine cotton, embroidered with a crown, the initials VR and the number 34. A chemise once worn by the Queen and a pair of her silk stockings are among other items on offer, and they also are identified with a crown and numbers.

Auctioneer Michael Shortall said museums and American collectors have already expressed interest in the sale at the Spa Hotel.

"I believe it is the first time such a large collection of royal textiles and clothing has come up for auction."

Also in the sale are several pairs of shoes which belonged to the Queen's children; two bonnets, in silk and velvet; court playing cards with hand-painted portraits of the Queen and other members of the Royal Family; a child's flannel-ette undershirt and bodice, with a "nappy square"; an inscribed bracelet worn by the baby Prince of Wales in 1864; a pair of cotton knickers believed to have been worn by Prince Arthur and samples from embroidery by the Queen's daughters.

Madonna

Wembley Stadium

The Blonde Ambition tour is not the Prime Minister's electoral drive through the Tory summer garden parties, but the latest manifestation of Madonna, a much tougher maverick. In fact there is a danger that Madonna's "girls on top" philosophy is getting dangerously close to self-parody if not to criminal prosecution.

On her last visit to Wembley three years ago she at least acknowledged the existence of an audience, throwing them the odd pair of knickers. This time everything on stage looks as if it was created, costumed, perfected, and manufactured by a Dream Factory with some very old-fashioned ideas on how to manipulate men.

Madonna talks dirty, dresses dirty, dances dirty, and tests it all as a big joke. Or as she shouts out (although more boldly) "You've got to have frigging sense of humour." Of course there are also the songs, but they are just the hook on which to hang the cameo vignettes of Madonna, dressed now as a rather sedate nun as a nun; now as a tart; now as a fashion dummy, as she puts around the stage flouting the various corsets designed for her by Jean Paul Gaultier. The trick, apparently, is to wear your corset on top of your clothes, and a bra in the shape of an aggressive pyramid.

The show is mesmerising but

soulless. The shenanigans on stage become the distant trigger for the close ups on the giant screen, and the cameras concentrate not on Madonna's vocal performance but on intimate shots of her groin, or lips, especially in "Like a Virgin," performed expressively astride a giant red bed. You can understand the Vatican's censure of the act as she immediately transforms into a nun for "Like a Prayer" and then goes on to seduce a priest in "Oh Father." After this section "Popcorn Don't Preach" powerfully performed comes across almost as a romantic ballad.

The extent to which this amazing woman, and her fantasies, dominates the evening is underlined when the band comes on to take its bow. You'd actually forgotten they were there. It is harder to ignore the dancers. Madonna acknowledges them by kicking the girls as they lie on the floor and crawling up the thighs of the guys.

There are few special effects. Madonna effortlessly discharges enough light, sound, fury, and energy to power the whole of Wembley. She moves like perfection, leading her dancers into ever more gymnastic routines, just as she taunts the audience with mounting bravado. "People say I've got a lot of balls," she smirks. "But I haven't. What

Madonna at Wembley

I've got a Dick." This is the provocative intro to the weakest part of the evening, a plug for her latest movie *Dick Tracy*. "You never know a guy till you're talking rubbers," she advises as she strips the coats of the male dancers to reveal their leather jock straps.

Sex, religion, and in her endorsement of capitalist virtues in "Material Girl," politics - Madonna takes on all the controversial taboos and whips them to death. But one is left thinking that a girl who comes on so strong must have so much to cover up. That is the enigma.

Antony Thornecroft

ARTS GUIDE

MUSIC

London

London Bach Orchestra conducted by Nicholas Kraemer plays the six Brandenburg Concertos (Tue). Barbican Centre (071-628-8901).

The Philharmonia Orchestra and Chorus conducted by Yuri Simonov play Verdi's Requiem (Wed) as part of the City of London Festival. St Paul's Cathedral. (071-248-6200).

London Chamber Orchestra plays Baroque, Handel, Albinoni, Fachel, Vivaldi (Wed). Queen Elizabeth Hall, South Bank Centre (071-628-8900).

The Matrix Ensemble conducted by Robert Ziegler, with soloists including Adrian Thompson, Paul Harris, Patrick Donnelly and Peter Rose. Stravinsky, Milhaud and Falla. Queen Elizabeth Hall (Thur) (071-628-8900).

Paris

Festival Estival Andre Inori (organ). Franck, Beethoven, Saint-Saens, Guilmant (Mon). Saint-Germain-des-Près church. Orchestre des Jeunes des Pays Bas conducted by Gaetano Cappuccini. Schumann, Brahms (Tue). Auditorium Des Halles. Vocal Ensemble Sagittarius and Consort de Violes O. Gibbons conducted by Michel Lapointe. Demantius, Schütz, Schütz (Wed). Saint-Séverin church. Quatuor de Violes Orlando Gibbons. Byrd, Gibbons, Lenot, Purcell (Thur). Notre-Dame-du-Travail church, 58 Rue Vercingetorix, Metro Pernety (4304387).

Montpellier

Montpellier and Radio France International Festival stages 30 concerts, among them a Franck Martin oratorio, Marc-Antoine Charpentier, plavista Victoria Postnikova, Firsiroti, Krumpholtz, Chila and 15 local concerts. Ends Aug 2 (07628-6533).

Brussels

Marc Grunewald (flute) Daniel Blumenthal (piano), Lieve Schuermans (flute) playing Schubert, Ravel, Debussy, Mozart, Elgar, Vivaldi (Wed). Chapelle des Brigitines (513 89 40).

Wexner

Cultural Festival July 16-Aug 11. Wexner, the centre of German classical culture, is staging the first pan-German festival, profile from which will go to be reconstruction of this badly neglected city. Directed by Karl Steff-Wolffjäger, the festival is staged in the original houses of Goethe, Schiller, Liszt and Bach, who are the central themes of the four week events. Among the artists appearing are Eva Lind, Alan Titus and the Bavarian Radio Orchestra, under Ralf Weikert, Rudolf Buchbinder, Barry Douglas, Alexis Weissenberg, Will Quadflieg, Helmut Lehnert and the Wexner Theatre Ensemble (0228/653392; fax 658150).

Schleswig Holstein Festival

This year's 5th Schleswig Holstein festival, initiated and directed by Justus Frantz is an important and very successful event for this neglected region

and has been enlarged to nearly 180 concerts in 32 different venues. World class musicians will be performing in towns and villages from Flensburg in the north to Lüneburg in the south. Concerts include, among others, churches, concert halls, riding stables and castles. There will also be master classes. The festival's own orchestra, with 120 members from 22 different countries, will train throughout the summer in Salzuflen with 5 different conductors. Sir Georg Solti, Christoph Eschenbach, Jiri Belohlavak, Paavo Berglund and Semyon Bychkov and they will be performing 100 concerts during this festival. Soloists include: Alban Berg Quartet, Igor Oistrakh, Natalia Gutman, Boris Pergamenschikov, Heinrich Schiff, Olaf Baer, Dietrich Fischer-Dieskau, Hermann Prey, Peter Schreier, Arleen Auger, Christa Ludwig, Rudolf Buchbinder, Barry Douglas, Katia and Marielle Labèque, Murray Perahia and James Galway. The programme ranges from Bach to Beethoven, Brahms to Bruckner, Mahler to Mozart, Tchaikovsky to contemporary composers.

Until August 19. Information: Kartumstrasse Schleswig Holstein Musik Festival Postfach 3940, 2300 Kiel Tel (0431) 567680.

Barcelona

Orquestra Simfònica de Barcelona, Schubert, O. Messiaen (Tues). Plaza del Rei (515 15 25).

Ravenna

Ravenna festival Scala Philharmonic Orchestra conducted by Lorin Maazel. Schubert's 'unfinished' sym-

phony and Beethoven's 6th (Tues). Rocca Brancaleone. Festival ends July 31. (33577)

New York

Mostly Mozart Festival. Ensemble Chamber with Carol Wincenc (flute) and Misha Dichter (piano), Mozart, Schumann, Dvorak (Mon). Avery Fisher Hall, Lincoln Center (874 6770).

Mostly Mozart Festival Orchestra conducted by Mark Elder with Barry Douglas (piano) and Richard Stoltzman (clarinet). Janacek, Mozart, Haydn (Tue, Wed). Avery Fisher Hall, Lincoln Center (874 6770).

Tokyo String Quartet with Richard Emanuel Ax (piano) and Alexander String Quartet. Mozart, Schumann, Mendelssohn (Thur). Caramoor Festival, Katonah (914 232 1233).

Chicago

Ravina Festival. Leon Fleisher (piano) and Theater Chamber Players of Kennedy Center, Takacs, Robert Saxton, Bach/Brahms, Scriabin, Blumenfeld, Strauss/Godovsky, Korngold (Tue). Highland Park (728 4942).

Chicago Symphony Orchestra conducted by Gianluigi Gelmetti with Leon Fleisher (piano). Ravel (Thur). Highland Park (728 4622).

Tokyo

Samurai and Kodo. Drummers from South Korea and Japan. Shinjuku Koma Theatre (Mon) (312 5115).

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Monday July 23 1990

Service to
small investor

FRAGMENTATION used to be the bogey word of the London Stock Exchange. Until the Big Bang restructuring of 1986 the emphasis was on a single market with a centralised order flow, and a common membership for firms straddling the widest range of clients.

Now the facade of unity is cracking. The main commercial drive of the International Stock Exchange is carrying out the business done in leading international equities by institutional investors. There are accusations that such an emphasis is causing a neglect of the interests both of smaller domestic companies and of small, personal clients. So worried are private client brokers of the ISE's apparent failure to represent their interests that a number of them plan to set up their own trade body called the Association of Private Client Investment Managers and Stockbrokers (APCIMS).

Meanwhile there have been two separate proposals to establish distinct markets to serve a base of smaller clients. One, emanating from the specialist small company market maker Winterflood Securities, focuses upon improving the facilities for trading shares of small companies; the other, promoted by the execution-only stockbroker Shareplace, is intended to make it easier for small investors to trade shares. The proposals are aimed in different directions, but they share the common factor that an apparent polarisation has developed between the mainstream business of the ISE and its grassroots services.

The decline of the private investor in UK equities has been a long-term trend caused by several factors including tax, but with the proportion of shares owned by individual investors down from over 60 per cent 30 years ago to under 30 per cent today the trend is thought to have been exaggerated by dealing obstacles.

Hands off
Kuwait

THE conventions of Arab diplomacy were rudely brushed aside last week in the unexpected and dangerous border dispute between Iraq and Kuwait. Instead of the usual protestations of brotherly love and the elliptical references to problems best not aired in public, each side openly and bitterly accused the other by name.

First Iraq condemned Kuwait and the United Arab Emirates for producing more oil than permitted by their Opec quotas. That was true, although both had agreed to cut in oil output to pave the way for this week's Opec meeting in Geneva. The Iraqi government then accused Kuwait of violating the disputed Kuwait-Iraq border by drilling 32.4bn of oil from Iraq fields. This last accusation was implausible from the start, and Kuwait insisted yesterday that the reality was the other way round: Iraq had tried to drill wells inside Kuwait. Kuwait said in an extraordinarily blunt message to the Arab League, "has a rich record of violations of Kuwaiti territory, a record backed by facts."

Such honesty, after years of discreet diplomacy, serves to underline the seriousness of the current crisis. President Saddam Hussein's bellicose rhetoric has revived the fears of his Gulf neighbours that he will turn his political ambitions, backed by the Arab world's largest army, away from Iran and Israel towards softer targets to the south.

Expansionist aims
Iraq covets Kuwait's territory and the oil that lies beneath it, dating its claims back to the days of the Ottoman empire. At the time of Kuwaiti independence in 1961, British troops and an Arab League force were sent to Kuwait to deter the expansionist aims of the Iraqi regime of General Kassem. Even after the 1988 Gulf war ceasefire, Iraqi troops are said to have crossed illegally into Kuwait at least once. Sheikh Saad al-Abdullah al-Salem al-Sabah, Kuwait's Crown Prince and Prime Minister, paid a much-heralded visit to Baghdad last year to sort out the border

problem once and for all, but he returned empty-handed. It was precisely to deter the kind of threat now posed by Iraq that Saudi Arabia, Kuwait, Oman, the UAE, Qatar, and Bahrain established the Gulf Co-operation Council in 1981, while Iraq was preoccupied with its hostilities against Iran. The GCC, along with the Arab League in Tunis, have therefore been among the main ports of call for envoys despatched by Kuwait's Emir, Sheikh Jaber al-Ahmed al-Sabah.

Urgent mediation
Relations between Kuwait and Saudi Arabia, the GCC's principal power, have recently been lukewarm, but the indications are that King Fahd has responded with the necessary urgency to the challenge of the latest Gulf crisis. The King, who is himself thought to be uneasy about Iraqi ambitions, quickly telephoned both President Saddam and Sheikh Jaber, and then sent his foreign minister in an attempt to mediate. It is appropriate that the GCC should intervene diplomatically to ease the tensions over the Kuwait-Iraq border, and equally appropriate that the Arab League - whose secretary-general is also touring the region - should mediate in this regional dispute and eventually prepare the ground for a final settlement of the frontier. So far Kuwait has not appealed to the UN Security Council for assistance. That should not prevent its members from telling Iraq politely but firmly at an early stage that Iraqi attempts to bully Kuwait are undesirable, and that any seizure of territory it may even have happened already to a limited extent would be unacceptable. A joint statement by the five permanent members, which developed the habit of working together in their efforts to end the Iran-Iraq war (much appreciated by Iraq at the time), would be particularly appropriate. President Saddam should not be antagonised, but he should be left in no doubt that the world community is united in its determination to confine his ambitions within Iraq's internationally accepted borders.

Even at the time it was recognised that Big Bang was a beginning rather than an end. New markets or trade associations may now have an important role to play. Fragmentation need no longer be a dirty word, especially if it is translated to mean specialisation.

Latin American leaders have been watching the fast-moving changes in the international strategic order with a mixture of fear and fascination. Fear predominates. After a decade of lost growth and still burdened by a huge \$420bn debt overhang, they see the region being ignored as the world map is redrawn for the 21st century. Leaders such as President Carlos Andres Perez of Venezuela warn that Latin America is becoming absorbed in eastern Europe and the redefinition of the old cold war frontiers. They are afraid the US - with dwindling strategic interests in Latin America - will turn in on itself.

According to this scenario, Latin America will become subject to a policy of benign neglect from Washington, ignored by Europe and of only marginal concern to Japan. Yet this gloomy vision has also served to concentrate minds and reshape ideas. We have to stop this process of self-isolation and think positively of where we are going," said Mr Jose Clemente Banaes Soares, the Brazilian secretary-general of the Organisation of American States. Formed in 1948 to bind Latin American nations into an alliance with the US against the spread of communism in the Americas, the OAS now seems outdated, and this in turn epitomises the need to find a new direction for the region. Not since the Second World War has Latin America had to face so many fundamental questions. These touch on such central issues as the shape of the hemisphere, the nature of security interests, the direction of trade, the viability of regional blocs and the practicality of the old Bolivarian dream - integration. Arguably, for the first time since Latin American states began to acquire their independence from Spain (and Portugal) more than 150 years ago, the region is being forced to define itself.

Against this background, the unexpected announcement of President George Bush's "Enterprise for the Americas" initiative on June 28 acquires enormous significance. He is

A new generation of
democratically-elected
leaders has been quick
to exploit easier
international contacts

proposing a new, broadly based partnership with incentives "to reinforce Latin America's growing recognition that free market reform is the key to sustained growth and political stability." The mainstays of this new relationship will be expanded trade, liberalised investment and help with debt. Mutual security, therefore, will be achieved through prosperity which is guaranteed, not by military alliances and large amounts of aid as before, but through democratic government and sound macro-economic policies based on the laws of the marketplace. The long-term goal, according to President Bush, could be "a time when all are equal partners in a free trade zone stretching from the port of Anchorage to Tierra del Fuego." Significantly, his announcement came less than three weeks after he and President Carlos Salinas de Gortari of Mexico had agreed to work towards the creation of a North American free trade area. Even a year ago, the idea of a North American free trade area encompassing Canada, Mexico and the US seemed pure futurology. Now it is accepted as an eventual reality. Pushing this concept so quickly to embrace the whole of the Americas may seem fanciful, but it underlines the speed at which ideas are evolving. It also raises intriguing questions about the pace at which the US itself is, or will become, hispanised.

A major
publication

■ The Treasury today reveals its new baby - the first edition of a periodical on Government economic policy - with a predictable absence of fuss. Officials deny that the Treasury Bulletin, a slim and expensive paperback, is a spilling operation against the Bank of England's own Quarterly Bulletin - which has been scoured for nuggets about policy for almost 20 years.

It is a book for many governments to discover that 1992 - the year celebrating the 500th anniversary of the discovery of the New World - could also be a year in which Europe put up the barriers against us, including Spain which talked so much of *hispanidad* (the community of Spanish-speaking nations), commented a Latin American diplomat.

Slow Britons

■ The complaint that British business is a laggard in the developing economies of eastern Europe grows louder with every post-communist minister who visits. Mrs Vlasta Stepova, the Czech Minister for Trade and Tourism, has been in Britain talking to business people, hoteliers and tourist bodies. It pained her, as an anglophile, to see most of the action going to the German speaking countries. "They are the quickest, the first and the cheapest," she says, forecasting that VW will tie up a deal with Skoda by the end of the year. Her government wants balanced western investment but needs more interest from Britain. She was chosen for her post,

A North American free trade zone may hold the key to a new direction for Latin America, writes Robert Graham

A continent in
search of a role

The vagueness of President Bush's free trade proposal suggests he and his advisers have scarcely got to the drawing board. The Bush Administration may well be laying down self-interested markers in case the world divides into new trading blocs. Latin America, after all, has a population of more than 400m and a GDP equivalent to two-thirds that of eastern Europe and the Soviet Union. If the region, with its little tapped natural resources, recovers the growth of the 1960s and 1970s, its potential will be as great as that of eastern Europe.

Nevertheless, Washington is beginning to drop the negative posture it adopted towards Latin America throughout the 1980s as it sees a fresh wind of pragmatism sweeping the continent. Already the economies of Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela have improved to the extent where they can look beyond the debt crisis.

In telephone calls to President Bush, Latin American leaders have responded positively but with caution. One Latin American presidential adviser observed: "Just when we were feeling like jilted suitors, Bush tells us that Washington cares about Latin America. The psychological is very important. Even if the Americans are thinking of their own interests first and deliver little of what they are promising at least they have given us a framework in which to operate."

Until recently responsible Latin Americans devoted remarkably little constructive thought to where and how their continent fitted into the world order. Almost without exception, the countries of the region looked to North America and western Europe, with their backs turned on Japan and the rest of Asia.

The former Spanish colonies tended naturally to try to emulate the development model of the US and came almost instinctively within the general security umbrella of Washington. Indeed, since the turn of the century, the gravitational pull of the US on Latin America has never been in dispute - not even by that most redoubtable of protagonists, President Fidel Castro of Cuba. The political argument was turned on the extent to which US influence should be allowed to interfere in domestic affairs and dictate policy for the hemisphere.

At the emotional level, Latin America continued to cling to the belief of close ties with the Old World long after this ceased to be reflected either in the level of trade or of political contacts. Trade with Europe, as a percentage of Latin America's global trade, has declined by more than third over the past two decades to about 16 per cent. The European background of most Latin American elites fostered this illusion, which was only shattered when the latter realised the seriousness of the EC's commitment to the 1992 single market.

It was a shock for many governments to discover that 1992 - the year celebrating the 500th anniversary of the discovery of the New World - could also be a year in which Europe put up the barriers against us, including Spain which talked so much of *hispanidad* (the community of Spanish-speaking nations), commented a Latin American diplomat.

OBSERVER

she said, because she spoke out before the November "velvet revolution" on the growing black economy. She estimated that Czechoslovakians gave "presents" to doctors for more than 90 per cent of treatment, making the country's medical service one of the most private in the world.

Block capitals

■ Richard von Weizsäcker, the West German President, has angered many German federalists by coming out in unusually outspoken fashion for the restoration of Berlin as the capital of a united Germany. Although moving the capital from Bonn could take several years, he believes that the future united German parliament should decide on the question "as soon as possible."

"I am not denigrating the human and political atmosphere of Bonn, simply summing up the facts," when I say that there, one is incomparably further separated from the necessary realities than in Berlin," he argued in a ceremony in Berlin a few weeks ago. He had just been awarded honorary citizenship of the city.

Chancellor Kohl also has a soft spot for Berlin, but wants to bide his time. Last week, he said he thought von Weizsäcker had gone too far in his remarks. He thinks that a combined solution is possible, with Berlin as capital (and residence of the head of state) while Bonn remains the seat of government.

Some of Kohl's aides have now come up with a series of counter-arguments for Bonn. And they draw on no less an authority than the President himself. In a speech in Bonn in May last year, von Weizsäcker said that the atmosphere in the small-town capital was anything but stifled. Eulogistically, he described



In their search to reformulate the region's internal and external relations, Latin American leaders have received considerable intellectual stimulus from a re-vitalised Inter-American Development Bank and Mr Enrique Iglesias, its Uruguayan president. His basic message is: "Latin America has to do more to help itself." This entails harmonisation of macro-economic policy, identifying common interests, cutting internal tariff barriers, making the state machine more efficient and raising the quality of the investment climate. In his tireless behind-the-scenes efforts, he has become a sort of informal finance and trade minister for Latin America as a whole.

Increasingly, the region's interests are defined in trade terms. This is a natural consequence of the failure of the one-fishable import substitution model of development and the

adoption of export-led growth, a move which has been actively encouraged by World Bank funding for restructuring trade policies. Meanwhile, the need to attract foreign investment, in the absence of fresh inflows from the debt-wracked commercial banks, has also swayed many of the old stigmas attached to foreign capital.

Nations of the size of Mexico only joined the General Agreement on Tariffs and Trade in 1986; but in the past five years active Latin American membership of the GATT has helped stimulate a liberalisation of trade as well as encourage the idea of participation in the global economy. The fact that the current round of trade liberalisation negotiations began in, and is named after, Uruguay, underlines the region's awareness of the importance of trade issues. Of all international forums, the GATT is now the one where Latin American

nations are most actively pursuing their common interests. The awakening of Latin America to the outside world has also flowed naturally from the disappearance over the past 10 years of military governments. A new generation of democratically-elected leaders has been quick to exploit the greater ease of international contacts that comes from political respectability. These leaders, especially in the important countries such as Brazil and Mexico, are not bound by past prejudice in dealing with the US. Nor are they bound by the old anti-communist security considerations which coloured the views of previous leaders, civil and military. Many of the top officials attended the same US universities as their Washington counterparts or have spent periods of exile in Europe.

Equally the new elites are anxious to understand Japan and raise the level of Japanese assistance, investment and trade. One hundred years ago, the Japanese connection comprised cheap agricultural labour imported into countries like Brazil and Peru. Today it is evident in the form of a Mexican president whose children go to a Japanese school; a president-elect in Peru who is the son of Japanese immigrants and a Chilean economy minister with Japanese grandparents. These same people are curious to analyse why the Asian newly industrialised countries have come from behind and overtaken them in less than 20 years. Today, Taiwan and South Korea's annual exports together match Latin America's combined total of \$110bn.

This awareness of the global economy means that opportunities will be sought both more aggressively and on a broader front. Nevertheless, since 40 per cent of all the region's trade is conducted with the US, which is also the most geographically convenient market, policy initiatives will be concentrated there. Washington's seriousness in establishing closer ties between its own highly advanced economy and the middle-income newly-industrialised economies of Latin America will be crucial.

Within the region, the US is suspected of being serious only about deepening its relations with Mexico. A North American Free Trade Area certainly risks pushing Mexico into a different orbit and separating it from the fellow Latins. Already as a precaution against being downgraded in Washington's list of priorities, Central American presidents have revived the 1980s idea of a common market that would include Panama.

Colombia and Venezuela, with important oil and coal resources, have begun to form an axis with Mexico and could eventually come in on the latter's coat-tails with North America. But nothing will move until the shape of Mexican relations with the US becomes more clearly defined. This will be the model for all future north/south co-operation.

The difficulties of moulding two such unequal economies into a free-trade area inevitably has made South American countries dubious of such an initiative extending south of the Rio Grande. Rather, they believe that they will be left to their own devices with only rhetoric from Washington. Such a prospect explains this month's agreement between the Presidents of Brazil and Argentina to accelerate plans for their own common market starting in 1994. They hope that a common market embracing the other southern cone neighbours - Chile, Paraguay and Uruguay - would provide a new dynamic for growth and balance out the Mexican-US developments. This would also provide a framework for an eventual free trade area for the Americas. Such commitments, of course, are meaningless without either Argentina or Brazil stabilising their economies and recovering growth. The jury is still out on whether this will happen; but the pessimism of the 1980s has gone.

cigarette-casse). The proceeds were to help research into AIDS.

The distinguished designer Moschino sent the whole thing up, having his models led on by a comical pantomime dame dressed as Queen Elizabeth II while a motley collection of actresses and television personalities chosen by other designers as mascots proved that only trained models should attempt the slow descent of staircases in public.

Man's man

■ The election last week of a president of Tynwald, the Manx parliament, from within its members marks a further stage in the island's progression to greater autonomy. The Isle of Man, in the Irish Sea, is a Crown dependency but has its own 1,000-year-old parliament. For the past 232 years Tynwald has been presided over by the island's Governor, who is the Queen's representative.

Members of Tynwald chose Sir Charles Kerriouh as their first president for a five year term. The 73-year-old Sir Charles is the longest serving member of the Manx Government, first elected in 1946. Sir Charles's direct and forthright manner is well known at the Home Office where he has consistently thumped the table on the Isle of Man's behalf. He feels increased affluence in the island over the past few years has dulled the will of many fellow islanders to fight for more constitutional reform. But Sir Charles will never relinquish his ideal of a self-governing Isle of Man, with the UK responsible only for external affairs.

No comment

■ From the monthly newsletter of a Berkshire men's club: "Our speaker on Thursday, June 14, was a man who needed no introduction. He failed to turn up."

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Plugging in to a double-edged prospect

As Britain's electricity companies queue up for privatisation, David Thomas looks at the winners and losers

This week is set to be a crowded one for electricity privatisation, one of the longest gestating of all the Government's economic reforms.

Ministers are certain to come under pressure to clarify their intentions for the sale of PowerGen, one of the two generators heading for privatisation in England and Wales. Fearful of the stock market's ability to absorb the entire privatisation issue, they have been considering whether to sell PowerGen to a single bidder, such as Hanson, the acquisition conglomerate.

The Government will also announce today the amount of debt which each of the regional electricity companies - scheduled to be sold this autumn - will take into the private sector.

On Thursday, National Power will unveil its final report as a nationalised industry. The largest of the electricity companies to be sold, it will disclose huge provisions to cover job losses and the other costs of moving into the private sector. A week later PowerGen will follow suit. Both are slated to be sold early next year. Scotland's Hydro Electric and Scottish Power will follow next summer, completing the privatisation process.

A small army of merchant bankers is working on the privatisation prospectuses. Will anyone mourn the nationalised system which they are quickly burying? What are the prospects for the Government's radical attempt to inject competition into an industry viewed as a natural monopoly? Consider two views:

Mr John Wakeham, Energy Secretary: "We are already seeing the beginning of a dramatic metamorphosis: a change from what was, until recently, a monopolistic structure towards a more competitive, a more diverse, and a more environmentally conscious industry - and one in which a growing number of customers will be given real choice."

Mr Stephen Andrews, director of the Association of Independent Electricity Producers: government ministers have "failed to recognise the power of the monopoly. In accommodating the needs of the Central Electricity Generating Board's successors (National Power and PowerGen), they may well have postponed the expansion of independent generation by which they set so much store."

That two such starkly different viewpoints could be given at the same energy conference in London this month is a pointer to the uncertainties surrounding this most complex of privatisations. The new electricity companies have been thinking for some time that Scotland (a socialist state) could benefit from such an idea.

Scottish citizens have been buying privatisation issues at only about half the rate of the English and our water is still in state hands. However, the 1991 privatisation of the South of Scotland Electricity Board, now called Scottish Power, could change this dramatically and give everyone in Scotland some wealth.

The SSEB was 60 per cent nuclear and had negative net worth of about £500m due to future liabilities. The very poor current plan is to keep the nuclear stations in a new state company called Scottish Nuclear and to sell Scottish Power with a few old fossil fuel stations and a small bit of hydro-electric. My suggestion is that Scottish Power should be given to the Scottish public as it exists.

Each citizen should be given 200 shares so that 1,000m would then be in issue. This can be justified politically because the company has a negative book value and debt of over £2bn. The Government is not giving anything away, it is reducing its liabilities. I believe the share price

share one assumption. The reforms will fail unless they encourage the emergence of a substantial clutch of independent generators to challenge National Power and PowerGen.

The omens so far are mixed. On the one hand, there have been more than a dozen proposals for independent stations. The latest came this month when Texaco, the US-based oil company, unveiled plans for a 1,400mw gas-fired power station of up to 1,100 megawatts in west Wales.

On the other hand, even the Department of Energy accepts that not all these projects will come to fruition. Not all are needed. There is already a surplus of generating capacity and the recession is prompting most analysts to revise downwards their forecasts of electricity demand.

County NatWest WoodMac, the stockbroking firm, recently concluded that no new stations were needed on demand grounds before 1995-96. Nevertheless, it predicted that 3,000-4,000 MW (equivalent to two large stations) of gas-fired capacity might be built to allow old coal-fired stations to close. Yet County NatWest identified 18 new projects, with a total capacity of up to 11,070 megawatts, which have already been proposed.

The independents have an even deeper worry. National Power and PowerGen may crowd them out of the market for environmentally friendly, relatively cheap gas-fired stations - the power-generating technology which looks set to provide most new stations in the 1990s. Both generators have plans to open such stations over the next few years.

Mr Michael Cornish, chief executive of Thames Power, an independent company planning to build a 1,000 MW station at Barking Reach on the Thames, predicted this month that the two established generators would scrap several older stations. This would add to their profits by forcing up the price of electricity, because it would increase the insurance policy which distributors have to pay to maintain enough capacity on the system. Simultaneously, Mr Cornish argued, National Power and PowerGen would discourage entrants by announcing plans to build gas-fired stations.

The regional electricity companies provide one of the best hopes for a counter-weight to the two generators. As the main customers of National Power and PowerGen, the regional companies have to encourage competition: only thus can they maintain pressure on the generators' costs.

Most of the regional companies are considering plans to take stakes in independent projects. Their debt levels may contain clues about their scope for entering independent generation. The regional chairmen pressed



the Department of Energy for a relatively light debt burden, partly to allow them to take equity stakes in independent generators.

The precise role of the independent generators may not become clear for several years. Nevertheless, it is already possible to construct a tentative checklist of winners and losers in the new regime. The winners include: ● Large industrial consumers, with a maximum demand of more than one megawatt, are the only electricity customers free to shop around for competitive supplies at present.

Many have benefited from the outbreak of competition between the generators and the regional companies for their custom, with some achieving price cuts of up to 20 per cent.

However, the picture is patchy, not least because of the regulatory limits on the percentage of regional companies' custom which can be taken by the generators. Many large industrial consumers are now effectively locked into their local regional company.

Many observers also question

whether the generators - and, in particular, National Power which led the price-cutting - can maintain the new price levels when contracts come up for renegotiation next year.

The very largest customers - those with a maximum demand of more than 10 MW - have not fared so well, because they have lost the benefit of special cross-subsidies under the nationalised regime. There are fears about what will happen to their electricity prices after the one-year price freeze, announced by Mr John Wakeham, Energy Secretary, in February.

● Foreign equipment manufacturers. As in earlier privatisations such as that of British Telecom, foreign manufacturers are picking up many lucrative orders under the new regime.

Swiss electrical engineering group, is supplying the gas turbines for National Power's new station at Killingholme on Humberside and for Lakeland Power, the most advanced of the independents. Siemens of West Germany has been chosen for Power-

Gen's station at Killingholme.

The explanation is simple: they have more experience of building modern combined-cycle gas-fired stations than most British manufacturers. But for every winner, there is a loser - in this case most of the UK equipment industry. It has concentrated on meeting the CEB's demand for nuclear stations and coal-fired stations, which already seem like relics from a bygone age. Other losers from privatisation include:

● The coal industry. Nationalised British Coal is certain to find the privatisation of the electricity industry, overwhelmingly its biggest customer, a traumatic experience.

It was given some transitional protection by the three-year coal contract with National Power and PowerGen which the Government helped to negotiate. The two generators are committed to taking 70m tonnes of its coal this year and next and 65m tonnes the following year.

However, the prospects for British Coal in the medium term are not good. Besides shifting towards gas, both generators have stressed their wish to import more coal. They have told the Energy Select Committee that their demand for British coal may have almost halved by the year 2003.

● Small consumers. Under the complicated system of contracts put in place by the Government, the cost of bearing the implicit subsidy flowing to British Coal as part of the three-year coal contract was loaded on to small consumers.

The Government has insisted that price rises for household users must not increase by more than inflation over the next two years, following above-inflation rises this year. The fact is that larger industrial users - not domestic consumers - will benefit from any cost savings yielded by privatisation in the early years.

One of the great imponderables will determine whether all consumers will eventually benefit from privatisation: the working of the electricity pool. The job of ensuring that pool prices are not manipulated by National Power and PowerGen will fall on Professor Stephen Littlechild, the industry's regulator, who has given relatively little indication of how he will supervise this complex market.

And finally the taxpayers, are also faced with a double-edged prospect. Charges from privatisation's opponents that the industry is being sold cheap are bound to mount as the Government sets a price to ensure a successful sale.

Yet the taxpayer was ill-served by Whitehall's secretive scrutiny of the electricity industry, particularly in areas such as nuclear power, now to be retained in the public sector. Having a more open industry, with multiple centres of decision-making, should in theory deliver lower costs. Several years at least will be needed before a judgment can be made on whether the reality matches the theory.

LOMBARD

Sovereignty, the EC and Ireland

By John Lloyd

THE MOST urgent problem of sovereignty facing Britain is not the European Community, but Northern Ireland. How deeply the UK enmeshes itself in a greater European state is a matter of argument; the national identity of Northern Ireland is a matter of life and death - and not only there.

The Anglo-Irish Agreement, five years old this November, exacerbated an already fraught situation. It remains curious that its signing caused so few political casualties, when the Community has caused so many. Only Mr Ian Gow, a Treasury minister in 1985, now sits on the back benches because of it. Yet it gave the government of a foreign state an institutionalised purchase of these politics of part of the UK, and gave these rights to a state enjoining by its constitution to annex that part to it. So its involvement in the Agreement can be reasonably supposed to be aimed in part at satisfying this claim.

Mr Peter Brooke, the Northern Ireland Secretary, appears less dogmatic than his predecessor, Mr Tom King, in arguing that the Agreement is Holy Writ. In his attempt to start talks between the Northern Irish political parties on the future of the province, he has hinted that the Agreement could be recast. But he has so far been stymied by Dublin's insistence that the Republic have affirmed their desire to be part of the Community. In every equivalent test, the people of Northern Ireland have affirmed their desire to be British. Yet it is the former which stimulates agonies over the loss of sovereignty. The latter, where the loss was much more dramatic and resented, sits up only apathetic and an embarrased cough.

Mr Brooke, cautious and opaque as to his ultimate intentions, has it in his head to end the Agreement. The Irish government has it in its power, but certainly not in its head, to end a claim on foreign territory which legitimises terror. The Irish problem is Ireland's problem. It is to Ireland that we should now be looking for political movement away from a futile and tragic intransigence.

LETTERS

Scottish Power to the citizens of Scotland

From Mr Ronnie Hunter-Blair.

Sir, Richard Lucas (Letters, July 17) writes that western-based advisers are not likely to suggest a free transfer of state assets to the citizens of eastern Europe. I have been thinking for some time that Scotland (a socialist state) could benefit from such an idea.

Scottish citizens have been buying privatisation issues at only about half the rate of the English and our water is still in state hands. However, the 1991 privatisation of the South of Scotland Electricity Board, now called Scottish Power, could change this dramatically and give everyone in Scotland some wealth.

The SSEB was 60 per cent nuclear and had negative net worth of about £500m due to future liabilities. The very poor current plan is to keep the nuclear stations in a new state company called Scottish Nuclear and to sell Scottish Power with a few old fossil fuel stations and a small bit of hydro-electric. My suggestion is that Scottish Power should be given to the Scottish public as it exists.

Each citizen should be given 200 shares so that 1,000m would then be in issue. This can be justified politically because the company has a negative book value and debt of over £2bn. The Government is not giving anything away, it is reducing its liabilities. I believe the share price

would soon rise to well over £2 per share and such a company, with a reasonable cash flow and no working capital increases or much fixed capital to finance, would be attractive to any bank to lend money to. In a few years dividends could be paid as net worth became positive or the company could have a rights issue after the flotation to reduce debt.

All the population of Scotland would have windfall profits and not just 10 per cent. If the company with such a poor balance sheet did not survive, it would not mean a blackout. New owners would surely buy it from the administrators and no individual would have lost anything, because the shares were free.

Poll tax registration might be too political as the sole means of qualifying, but would help local government cash flow. A price rise of 8 per cent or so might be necessary to make the company more profitable, but perhaps costs could be cut or assets water might be sold, so reducing the cost per unit and increasing profits.

The current method of privatisation is not popular with many Scots because it benefits the few with money. My suggested method might be seen to be fair and reap political dividends, the current method reaps none. Ronnie Hunter-Blair, Fiddlers Hall, Charlestown, Fife

Jobless figures 'freely provided'

From Mr Patrick Nicholls MP.

Sir, You headlined a claim by Henry McLeish MP ("Labour claims Government has suppressed jobless figures," July 12) that figures from this department's Labour Force Survey (LFS) were suppressed. This is nonsense. The information in question was freely provided to Mr McLeish by my officials, with my knowledge, and is available to anyone who seeks it.

LFS results are disseminated in reports and articles, analyses can be requested from this department, and the database is released publicly through a commercial computer bureau. Nothing is being suppressed. Figures supplied to Mr McLeish, however, were accompanied by warnings about making time comparisons, professional advice which was ignored in the Labour Party's Labour Market Briefing No 2 issued in his name. This is typical of his careless use of figures but consistent with the content of Briefing No 1, which was also technically incompetent and presentationally incoherent.

In fact, this latest effort is largely a rearguard of Briefing No 1 and repeats many of its errors of fact and interpretation. In spite of having them pointed out in a letter from my colleague, Tim Eggar. For example, Mr McLeish continues to parade inappropriate figures of National Insurance contributions, and now uses similarly irrelevant figures of company and value-added tax registrations to cast doubt on

published figures of self-employment. Furthermore he challenges statistical definitions which follow recommendations of the International Labour Organisation and which continue the practice of the last Labour Government.

Briefing No 2 peddles the dubious unemployment calculations by the allegedly independent Unemployment Unit. Obviously the Labour Party is either ignorant of, or chooses not to quote the truly independent LFS measure of unemployment using an internationally recognised definition, which confirms the dramatic fall that has taken place in unemployment shown by the monthly claimant count.

The Labour Party's story is a myth. The facts are that since 1986 employment has grown by 2½m and unemployment has fallen by 1½m. The Labour Party's wishful thinking and distortion of the facts cannot change this, much though it would be in its political interests to do so.

The most reprehensible aspect of Mr McLeish's approach, however, is not his criticism of the Government which can be easily refuted but the attack he makes on the integrity of the Government Statistical Service. Political debate should be conducted on a higher level than that and well Mr McLeish knows it. Patrick Nicholls, Parliamentary Under Secretary of State, Department of Employment, Caxton House, Tothill Street, SW1

From Mr Erik Fill.

Sir, I beg to refer to your article on Kenya ("Donors threaten to cut off aid to Kenya," July 19) in which I am quoted in relation to the concern of Nordic countries. Your correspondent has quoted me on what I believed was a background briefing on possible options, in case further steps should be decided by the Danish Government in reaction to recent developments in Kenya.

I therefore strongly regret the appearance of this quotation which does not reflect the present policy of my Government.

Erik Fill, Ambassador of Denmark, Nairobi, Kenya

BTG and the academic sector

From Mr Peter Tanner.

Sir, We were disappointed by certain comments made about British Technology Group in David Fishlock's article ("An invention to break the ice," June 21).

It is widely recognised that without BTG the major Oxford development of cephalosporin antibiotics would have suffered the same fate as penicillin and the commercial benefits would have been entirely lost to Oxford and the UK. Oxford benefited financially in a substantial way from this development and this success has paved the way for the recognition of academic intellectual property within the university.

To say of the control of dry

rot invention that BTG "didn't do anything with it" is a distortion of the facts. BTG not only patented this case but also contacted many companies likely to be interested in it, licensed one of these and spent a not insubstantial sum on examining possible alternative methods for effective control of wood-decaying fungi.

After a full evaluation, however, the company licensed decided that the market opportunities did not justify it in going ahead.

We were pleased to see an end to the monopoly we had on government-funded inventions because we regard any monopoly as a restriction on technology transfer, whether this is a

monopoly for BTG or for a university exploitation company. Since the retraction of our first refusal rights, which has enabled us to be much more selective, the amount we have invested in academic work has grown steadily and our returns to our sources of technology have increased more than threefold over the past few years. Over the past year the financial return to the academic sector has been a substantial £13.1m in revenue sharing, project investment and investment in patents for university inventions.

Peter Tanner, Business Development Director, British Technology Group, 101 Newington Causeway, SE1

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FINANCIAL TIMES COMPANIES & MARKETS

Monday July 23 1990

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INSIDE

Pentagon cancels Lockheed contract

The Pentagon has axed a \$30m contract it awarded to the US aerospace group Lockheed, because of what it described as the company's inadequate performance. Lockheed had been signed up to develop a new type of anti-submarine aircraft but had to take a \$300m write-off last year when it miscalculated costs. Page 21

CHI sells stake

C.H. Industrial, the industrial holding company headed by Timothy Hearnley (left), has sold its stake in Manganese Bronze, the taxicab and metal products maker for \$7.5m. The sale should help cut the company's gearing. Two weeks ago it announced a 25 per cent fall in pre-tax profit. Page 18

Danger of falling branches

Conventional wisdom in commercial banking is that retail networks will be the most powerful competitive weapon in banking in the single European market after 1992. An article in the latest McKinsey Quarterly, however, takes issue with this view. As Guy de Quinquard reports in the Business Column, enormous, fixed-cost infrastructures could be a source of dangerous vulnerability. Page 34

Electricity takes in water

The 12 UK electricity distribution companies and the bankers that await their flotation are drawing lessons from the earlier water industry privatisation. One of the most important is that the transactions will not be captive business for the UK clearing banks. Andrew Freeman reports that foreign institutions, particularly US and Japanese banks, have already bid aggressively for mandates. Page 19

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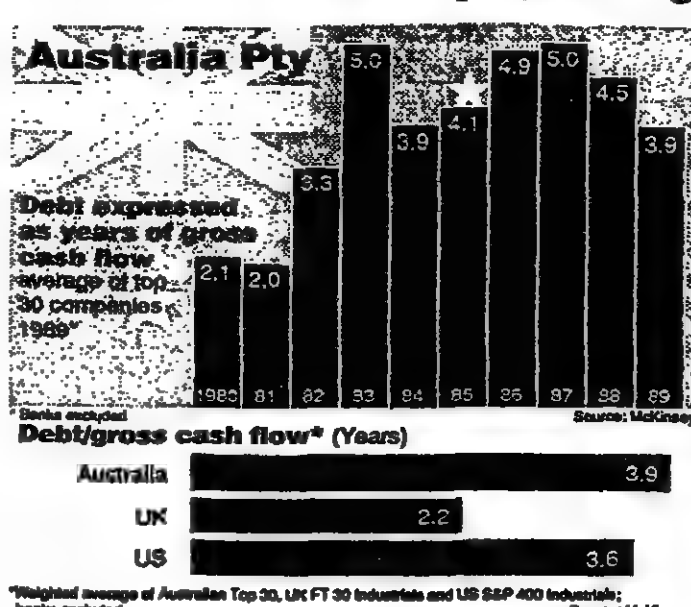
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Australia looks hard at its flawed heroes

Kevin Brown reports from Sydney on Alan Bond's offer to quit, and a generation of corporate casualties

The apparent eclipse of Mr Alan Bond, the high-profile entrepreneur who says he is willing to resign as chairman of Bond Corporation, looks set to fulfill one of the executives' guide to handling crisis: first, find someone to carry the can. Uncharitably, some of the Australian bankers to whom Mr Bond's highly-leveraged Bond Corp owes money persist in doubting the sincerity of his offer to quit, made to holders of Bond Corp Eurobonds in London last Thursday. Nevertheless, it is clear that Bond Corp cannot last much longer in the face of overwhelming debt and hostility from both the Australian Stock Exchange (ASX) and the National Companies and Securities Commission (NCSC), which has launched an investigation of Bond Corp's complex financial dealings. Probing questions about many of Mr Bond's financial transactions are already being asked, and bankers, businessmen and regulators are saying privately that the one-time national hero bears a heavy responsibility for bringing the Australian corporate sector into disrepute around the world. Mr Bond's was one of the most successful of the swashbuckling entrepreneurs who dominated Australia in the 1970s and 1980s,

and whose financial flair was lauded by everyone from bankers to federal politicians until financial empires began to collapse after the 1987 world stock market crash. The casualty list is long. It includes Mr Laurie Connell and his Rothwells merchant bank; Mr Christopher Skase's Qintex Corporation; Mr George Herescu's Hooker Corporation; and Mr Abe Goldberg's textile businesses. Other entrepreneurs, such as Mr John Elliott's Elders DXL and Mr John Spalvins's Adelaide Steamship, are still in business but under heavy stock market pressure. Only Mr Rupert Murdoch, chairman of News Corporation, appears to be thriving, but as a US citizen, Mr Murdoch is now an Australian entrepreneur only in spirit. In their day, the entrepreneurs had powerful friends like Mr Bob Hawke, the Prime Minister, who publicly supported Bond Corp as late as the end of 1987. Now his friends have disappeared, and the entrepreneurs are being blamed not only for getting themselves into trouble by borrowing too much, but also for making business difficult for everyone else by frightening foreign investors and provoking tighter bank lending regimes. Among those baying for blood have been the chairmen of blue chip Australian companies



like BHP, the steel and resources group. Westpac Banking Corporation and CSR, the sugar and building materials group. One of the strongest blasts came from Sir James Barston, chairman of the AMP Society, Australia's biggest life office and biggest institutional investor. "The recent publicity given to

questionable standards of behaviour by a handful of high profile companies has reflected adversely on Australia's overall business reputation," Sir James said. There was an urgent need, he said, to end abruptly the unacceptable practices of the few company directors who had failed to act honestly and in good faith on

behalf of their shareholders. Yet the impact of the entrepreneurs on Australia has not been entirely negative. Mr Bob Graham, chief economist of Westpac Bank, says their global activities contributed to Australia's above-average growth throughout much of the 1980s, and helped to lift the horizons of Australian managers, to the benefit of more solid corporate citizens such as BHP and Pacific Dunlop, the industrial conglomerate. The entrepreneurs may also have done Australia a favour by turning a spotlight on the deficiencies of bank lending regimes and the regulatory environment. Much of the rapid growth in entrepreneurial debt occurred after 1983-84, when the federal Labor Government deregulated banking by awarding licences to 16 foreign banks. The effect was to promote a scramble for market share in an environment in which bankers were already abandoning the old practice of lending only against real assets in favour of lending against cash flow projections. Bank lending regimes have now been considerably tightened. Official company regulation, had largely been left to the states because of the limitations of the Australian federal system. At the height of concern over the entrepreneurs, the NCSC had only a

A summer of scapegoat hunting

By Anthony Harris in Washington

This is turning out to be a foetid summer in Washington. The oppressive, wet heat is shortening already inflamed political and racial tensions, and the scapegoat hunt is up. It is not a good time for rational decisions, and they are needed. Three issues are bringing out the worst in those involved: race, the savings and loan debacle, and fiscal responsibility. The race issue is seething the most marginal, but it is producing an atmosphere of hostility, apprehension and self-doubt which could prove disabling if it cannot be tamed. This is most obvious in Washington. The trial of Mayor Marion Barry for using drugs, and lying on oath about it. When he was elected 12 years ago, Barry was seen by people of both races as a black Messiah, able to heal a badly divided city. White taxpayers have long been disillusioned with an expensive, inefficient job-for-the-chronics administration, and some have celebrated too loudly at his toppling. Blacks see a white Governor spending millions to entrap, and then persecute rather than prosecute, a hero, guilty only of a misdemeanour. Walk through this predominantly black city in the

dark, and you can feel the resentment crackling in the air like impending thunder. For the first time in my spell here, people are afraid. They are afraid of New York and Baltimore and many other cities where open racial hostilities have broken out. In Louisiana where Republican voters are bolting the party to support a former Klu Klux Klan chieftain. This is one element in the growing apprehension which is threatening to split the Republicans, in spite of 10 years in power. It is a tragedy for President George Bush, who, whatever his other shifts and evasions, is a genuinely-committed opponent of racism. An appeal to the black vote was one of the most important planks in his party platform for the 1990s. Now that plank is split, through no fault of his; and the traditional Republican themes of anti-communism and strong defence have suddenly become irrelevant. For the moment, the party has little to offer but competence and leadership. But the amiable, popular President is increasingly seen as a shrinking figure. When Chancellor Kohl and

President Gorbachev replanned Europe in their own private summit, President Bush could say only that he had spoken to both of them at length on the telephone. Americans feel side-tracked. Some far from covert support for Mr Nicholas Ridley's too-big-for-their-boots line has subsequently emerged here. The Japanese, temporarily out of the scapegoat hunt, may feel some secret relief; but the President, with his new special relationship with the Chancellor, cannot. Mr Bush also has his personal sorrow: the involvement of his son Neil in the collapse of Silverado, a savings and loan so speculative that it was known in its base city of Denver as Desperado. The public does not care whether this was legal or not; at least they know where some of their tax dollars went. The Democrats, who have hampers of dirty

linen of their own, have been rubbing the lesson in - and now they are after another Bush connection, Mr Robert Thompson, a former aide - for involvement in the sale of a failed Oklahoma bank at a sub-bargain price. This endangers their working relations with the White House, but they are driven by the voters. Popular resentment of the S&L collapse has been slow to take light; but now the air is thick with smoke. If taxes must be raised, or subsidies and programmes cut, it is the fault of the S&L scandal. It is useless for the Administration to put the cost off-Budget, and for Mr Alan Greenspan of the Fed to prove that the bailout is economically costless. Voters struggling to meet mortgage payments, worried because their houses may now be worth less, have their scapegoat: the whole of Washington. In all these circumstances, it is not surprising that most of the Republican candidates who must face the voters are in a fit of *seize-the-reins*. They are ignoring the party line and writing their own local platforms on a range of contentious issues; and by a large majority in a Republican conference last week, they abandoned



tactless enough to demand? It may also have been because nobody in authority mentioned the exchange value of the dollar. The dollar will certainly fall if the Administration gets the lower interest rates it wants, and ought to come down to help international adjustment. But adjustment is one thing, and "benign neglect" something different, and far more worrying. One final warning rumble from this oppressive summer: official briefings on the Gatt talks have begun to use the word "failure". In a normal year, this could be dismissed as routine brinkmanship; but this year, one gets the whiff of a great big smelly scapegoat across the seas.

Economics Notebook

Similar paths to EMU

ITALY IS a land which discourages acceptance of coincidence. Its people tend to believe that events are orchestrated by hidden powers, that unrelated happenings are frequently linked by an unseen umbilical cord. Despite some effort, it has not been possible to establish whether Mr John Major, the British Chancellor, has been lobbying the Treasury and British embassies, that no EC central bank or finance ministry can now profess ignorance of Mr Major's proposal for a "hard Ecu" which, during phase two of EMU - the one before irrevocably fixed exchange rates and a single currency - would give Community citizens their first experience of a common currency. However, more than a year before the launch of the Major plan, the Bank of Italy had quickly lodged with the Delors Committee an original proposal to launch the Ecu as a common official currency, co-existing alongside national currencies. Like the British, the Italian plan presents itself as a transitional arrangement to full monetary union, and requires the creation of a new institution. Mr Major calls it the European Monetary Fund while the Bank of Italy uses the Delors Report's formulation of a "System of European Central Banks". The Italian central bank has

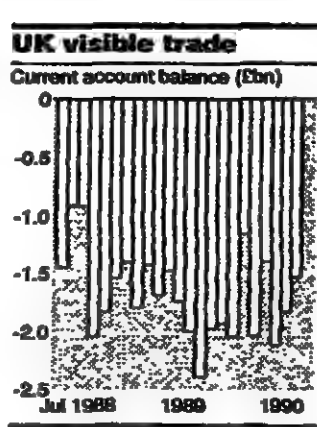
made little effort to publicise its plan, although Governor Carlo Azeglio Ciampi put it on the record in a speech to a university audience in November. Bank of Italy officials politely defend the British Chancellor against charges of plagiarism by stressing what they see as the fundamental point of difference: the Italian plan gives the new institution the central role in determining and managing the Community's monetary policy while Britain's European Monetary Fund is more an accounting institution, issuing Ecu in exchange for national currencies. A European central bank would require national central banks to hold official Ecu in proportion to the national monetary reserves which they themselves create. This would be how it would pursue each year's monetary and credit objectives, which would be, in Mr Ciampi's words, consistent with the "growth of economic activity in the Community and stable prices." This fundamental difference of principle between the two proposals appears much less fundamental on closer examination. The Major plan posits a central institution with powers to require national central banks to repurchase their own currencies. This would be an important discipline against indulgent monetary policies and would accustom central banks to working within a framework of Community targets and objectives. What we have, therefore, are two proposals which dovetail rather neatly as a coherent approach to phase two of monetary union. Britain's proposal introduces the Ecu for general circulation in the Community by means of a central institution with embryonic powers of monetary control. Italy's proposal hardens the powers of this institution and assumes

that national currencies will gradually blend into the Ecu "which the needs of the market rather than any decision of the authorities will establish as the common currency." All of which, of course, brings us back with total bemusement to the question as to why a British government which wants nothing to do with EMU is trying to help its partners to chart a path in that direction. One possibility, of course, is that some melding of the British and Italian proposals for phase two will provide the basis for an agreement at the intergovernmental conference in Rome beginning in December. Mr Major would then be in a position to argue with Mrs Thatcher that the Community was charting a sensible way forward and that, having helped determine the route, it was Britain's interests to set out on the journey. A second coincidence, so far unremarked here, is that the man who reportedly had some influence in selling the "hard Ecu" idea to Downing Street was none other than Sir Michael Butler, now a merchant banker with Hambros, and formerly the UK's permanent representative in Brussels. Sir Michael has a long and honourable record in having persuaded Mrs Thatcher that having secured certain modifications, it was in Britain's longer-term interests to accept a number of EC policies which the prime minister tended to regard with extreme distaste. Given her past record, few of her colleagues in other governments really believe that Mrs Thatcher will sideline Britain from the EMU process, provided that it embodies some of London's thinking and that she can carry her party with her.

John Wyles

THIS WEEK

THE UK TRADE figures for June get the week started, with the markets looking for a visible trade deficit of £1.6bn (\$2.90bn) and a current account deficit - which takes in both invisible and visible trade - of £1.4bn. The last few months have shown UK export growth picking up, admittedly from a low base. The trend in visible trade remains positive, thanks partly to strong economic growth in Germany and other key markets. The recent strength of the pound on the back of hopes for entry into the European exchange rate mechanism (ERM) could affect both the profitability and competitiveness of UK exporters in coming months. The June figures however should still show a strong export performance while the sharp fall in retail sales last week could be helpful if the import trend indicates that consumers are buying fewer foreign-made goods. The US Federal Budget trade balance, coincidentally, is also released today, with the markets looking for the usual June surplus as a result of tax payments coming through. The underlying trend, though, is definitely worsening - with the deficit running at \$200bn once the savings and loan bailout costs are factored in. On Wednesday, the US releases figures for durable goods orders (0.5 per cent) and auto sales in June - both should show a weakening of demand in the automotive sector. The UK Chancellor, Mr John Major, will face the Treasury and Civil Service Committee to explain in greater detail his ideas for an evolutionary approach to EMU through a hard-Ecu to be managed by a European Monetary Fund (EMF). The plans for the Ecu to become the thirteenth EC currency for Europe, have met widespread scepticism thus far. Other events and statistics, with median forecasts from MMS International, the financial research company:



Today: UK, June visible trade balance (-£1.6bn), June current account (-£1.4bn). Brussels, EC Economic and Finance Ministers meet to discuss EMU and new Commission VAT proposals. Tuesday: US, Mr Alan Greenspan, chairman of the US Federal Reserve, to deliver Humphrey-Hawkins testimony to House Banking Committee. Attention will focus on the Fed's attitude towards inflation after last week's controversial assertion that "core inflation is moderating" given the sluggish growth of the US economy. Wednesday: Geneva, start of Opex ministerial meeting in Geneva - expected to confirm cutbacks in oil output. Mr John Major, UK Chancellor to give evidence on EMU and explain hard Ecu proposals before UK Treasury and Civil Service Committee. Thursday: Frankfurt, Bundesbank mid-year policy review meeting. Brussels, EC budget ministers meet. Japan, June retail sales and industrial production. Both are expected to provide fresh evidence of economic buoyancy, accompanied by concern over underlying inflationary pressures. Friday: US, preliminary second-quarter GNP report (GNP grew at an annual rate of 1.9 per cent over the first quarter). West Germany, cost of living index.

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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Swaps market gives way to the institutional investor

THE EROSION of swap opportunities in the Eurobond market is forcing borrowers to drop their funding targets. Many have sliced 1/4 point from their floating-rate targets, as the pressure to catch up with this year's funding intensifies.

The disappearance of attractive arbitrage appears to be a long-term trend, resulting in part from the market's increasing transparency. Borrowers had hoped it was a temporary blip, caused by bond market volatility earlier this year.

"We have decided that the situation will not get any better in the longer term," said Mr Bo Marking, president of Swedish Export Credit, the country's export financing agency.

No arbitrage exists indefinitely: as investors become more sophisticated, anomalies are arbitrated away. "Sophisticated investors look at the value of a Eurobond not just against the Government bond market, but against the swap market," said Mr Jonathon Hakin, head of the transactions desk of UBS Phillips & Drew. Investors sell Eurobonds when they start to look expensive against the swaps market, because they read this as a signal of new supply. This

reduces the arbitrage before borrowers can take advantage of it by issuing new paper.

In the European currency units bond market, the increasing domination of institutional investors has substantially diminished the arbitrage opportunities in this once swap-driven market.

The Italian Government's Certificate del Tesoro in Ecu (CTEs) are subject to 12 1/4 per cent withholding tax, which means they are issued at a gross yield above Ecu Eurobonds. Since many non-Italian investors can reclaim the tax, this provides arbitrage opportunities which have historically generated much of the market's issuance. But the bond market now anticipates the movements in the swap market which the CTE issue creates. Consequently, the flood of five-year Eurobonds which used to stream into the market on the back of CTE issuance has abated.

The only markets which are still offering very attractive swap opportunities are those which are not yet subject to the full impact of market forces, analysts say. For example, arbitrage opportunities persist in the Spanish and Italian bond markets,

where domestic investors are subject to withholding tax.

But both markets are small and the authorities limit issuance by means of a queueing system, so that borrowers cannot take advantage of short-lived opportunities. Moreover, both governments are now embarked on a process of financial deregulation, which could eradicate these discrepancies over the next few years.

Differentials between bond yields for the same issuers in different bond markets, such as the US domestic and the Eurodollar bond sectors, are also being eroded. "There is a growing group of investors whose activity spans both markets," explained Mr Hakin.

The absence of retail investors over the last year has also helped iron out arbitrage opportunities. Retail investors do not assess value in the same way as institutions, for example, they will often pay a premium for a name they recognise. This creates anomalies which can benefit institutional players. However, retail investors have stayed out of the bond markets largely because of the high short-term rates available in many markets, and might return when the shape of

the yield curve changes.

The efforts by market intermediaries to restore profitability to the new issues business, by sticking to fixed commissions and pricing deals sensibly, has removed another prop for borrowers. Underwriters have become less willing to subsidise swap rates by pricing Eurobonds aggressively.

These new pressures on Eurobond market borrowers are likely to change patterns of issuance. Borrowers which do not need to tap the market will probably stay away, reducing the pool of issuers. Others will adapt to changing conditions, perhaps relying less on the swap market.

Eurofima, the European railway rolling stock financing agency, is already shifting the balance of its funding in favour of fixed-rate financing. "We have swapped less this year than in 1988 and 1989" said a Eurofima official. The agency then lends directly, since most of its lending is in fixed-rate European currencies. The agency is currently prepared to consider floating-rate funds at 25 basis points under London interbank offered rate, 1/4 point lower than its historic funding target.

Swedish Export Credit's target was once 110 basis points below Libor, at a time when the swaps market was still immature. Last year, the target was 50 to 60 basis points. That has now dropped to 30 to 40 basis points under Libor.

The agency's policy of maintaining a high level of liquidity has allowed it to continue to disburse loans, while mostly staying out of the Eurobond market so far this year. The agency charges a margin of about 50 basis points when it on-lends funds. "What has been a bit of a problem is that takers of funds have been slower to adapt" to the change in rates, said Mr Marking of SEK.

The agency has a further \$2bn of funding to raise this year, having raised around \$1.5 bn so far this year. "We will be a net borrower in the years to come, so we have to adapt to market conditions," said Mr Marking. For lower credits, sub-Libor funding has become impossible. For example, UK building societies, which once could achieve perhaps 10 basis points below Libor, must now pay substantially above Libor.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Kao Corp (J)♦	300	1994	4	4 1/4	100	Yamaichi Int.(Eur.)	4.750
Kuraray Co.♦	200	1994	4	4 1/4	100	Daewoo Europe	4.750
Furukawa Electric♦	300	1994	4	4 1/4	100	Yamaichi Int.(Eur.)	4.750
JGC Corp♦	170	1994	4	4 1/4	100	Nomura Int.	4.750
Sumitomo Metal Ind♦	320	1994	4	4 1/4	100	Nikko Secs.(Eur.)	4.750
Orient Corp♦	300	1994	4	4 1/4	100	Nomura Int.	4.750
Carco Deals W'sale Tetra♦	880	1996	8	9 1/4	99.72	Swiss Bank Corp.	9.313
RPM Inc.(b)♦	80	2005	15	8 1/4	100	PaineWebber Int.	8.750
Selys Ltd♦	250	1994	4	4 1/4	100	Nomura Int.	4.750
SEC Fin.(Cayman Is.)♦	180	1993	3	9	101.97	SBIC	8.232
Gen.Elec.Cap.Corp♦	250	1993	3	8 1/4	101.10	Bankers Trust Int.	8.197
Kyushu Leasing(n)♦	75	1997	7	20bp	100	Nikko Secs.(Eur.)	9.616
Ford Capital BV(n)♦	250	2000	10	8 1/4	99.286	Goldman Sachs	8.250
Credito Italiano(g)♦	100	2000	10	40bp	100	Sumitomo Fin. Int.	10.068
Turkey, Republic of♦	150	1995	8	10 1/4	101.20	Daewoo Europe	10.068
STERLING							
Ladbroke Group Fin.(N)♦	83	2005	15	8	100	CSFB	9.000
CANADIAN DOLLARS							
Swedish Export Credit♦	100	1992	2	12 1/4	101 1/4	Bankers Trust Int.	11.718
Deutsche Bank Finance(n)♦	80	1995	5	11 1/4	100.20	Deutsche St.Cap.Mkts	11.445
AUSTRALIAN DOLLARS							
GECC (Canada)♦	100	1995	5	14 1/4	101 1/4	Merrill Lynch Int.	13.743
New South Wales Treasury♦	800	2010	20	zero	98 1/4	Merrill Lynch Int.	12.594
NSW NV♦	75	1994	4	14 1/4	102	Bankers Trust Int.	14.085
New Sth Wales Treasury(n)♦	300	2005	15	zero	15.25	Merrill Lynch Int.	13.587
NEW ZEALAND DOLLARS							
Telecom N.Zealand O'seas♦	50	1993	3	13 1/2	101.80	Kreditbank NV	12.741
D-MARKS							
Inabeta & Co♦	110	1994	4	4 1/4	100	Nomura Bk (Germany)	4.675
Council of Europe(u)♦	200	2000	10	(u)	100	Trinkaus & Burkhart	-
ECUs							
SNCF(n)♦	128	1999	8 1/4	9	97.025	BNP Capital Markets	9.503
SWISS FRANCES							
Japan Telecom Co.♦♦♦	50	1995	-	7 1/2	100 1/4	Fuji Bank (Switzerland)	7.438

US\$200,000,000 ML TRUST VI

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In accordance with the provisions of the Bonds, notice is hereby given that the Rate of Interest has been fixed at 8 1/4% for the Fifteenth Floating Interest Period of 20th July, 1990 through to 19th October, 1990. Interest accrued for this Floating Interest Period is expected to amount to US\$8.85 per US\$1,000 Bond.

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The Financial Times
proposes to publish this
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15th October 1990

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FINANCIAL TIMES
EUROPE & BUSINESS NEWS SERVICE

INTERNATIONAL CREDITS

Banks prepare for electricity flotation

FIRST THERE was water. Now comes the UK electricity industry privatisation and the banks are lining up the funding facilities for the 12 distribution companies. Early price talk suggests that both sides have learned from the experience of the water industry flotation.

Against a generally quiet background, it is an opportune time for the electricity companies to be coming to the market. The UK corporate sector has been depressed, so bankers are welcoming these sizeable, quality credits.

Momentum is fast building up. The broad features of the electricity companies' funding requirements are said to be in place. Mandates have been awarded or at least informally promised to a number of houses, although the precise details will have to wait until the UK Government announces the final capital structures and debt levels of the companies.

Bankers say there could be a few shocks among the gearing levels set by the Government. They suggest a range of gearing from 20 per cent to above 40 per cent depending on each company's profile. But the banks are confident that the general shape of the credits will make leading decisions straightforward.

The great lesson of the water privatisation was that these transactions are not captive business for the UK clearing banks. Foreign banks, particularly US and Japanese players, have bid aggressively for mandates, apparently with some success.

At the same time, bankers report a reaction by the electricity companies against the heavy marketing tactics of the banks and say they are tending to revert to a single, known bank. The attraction of the business is that it is seen as safe. Banks will take a smaller return on what they see as very reliable lending.

In particular, Japanese players appear to have been given the go-ahead from Tokyo to push hard for what are seen as assets of UK incorporated. They are expected to play a leading role in underwriting the deals, although they may find it hard to win positions as arrangers.

The 12 distribution companies will be looking to raise

around \$3bn, much less than the \$7.5bn to \$8bn needed by the water companies. On average, they are seeking straightforward revolving credit facilities of \$150m to \$400m, with the larger companies like Eastern at the top end of the range.

Further funding needs will be forthcoming from the two generating companies and National Grid company, which are being privatised separately and have greater capital expenditure programmes.

In addition, the larger distribution companies have long-term plans to enter the power generation business, making them potential sources of attractive project financing and long-dated debt issues. The banks have plenty of incentive.

The danger is that if their pricing becomes too aggressive, deals could suffer in general syndication. When the water companies were floated, their facilities had varied reception. According to some bankers, the terms indicated for the electricity companies are too tight and this could lead to a repeat performance.

The broad characteristics of the deals, mostly facilities of five to seven years' maturity, are: margins have been set between 15 and 20 basis points, with fees of between 7% and 10 basis points. Again, the higher companies have benefited from finer pricing.

The lower margins are natural given the distribution companies' obvious credit quality and relatively small capital expenditure needs. The fees, however, are seen as having been bid down to the bone.

Andrew Freeman

EUROMARKET TURNOVER (\$m)

Primary Market	Strategic	Gov	FRB	Other
US\$	1,284.4	281.0	611.3	13,573.3
YTD	98.0	30.0	70.1	12,060.3
Other	1,382.4	31.0	681.3	13,663.7
YTD	100.0	31.0	71.1	12,162.1
Securities Market	1,492.2	1,044.6	7,020.0	7,834.5
US\$	1,364.0	734.4	1,777.4	6,723.3
YTD	101.7	1,015.5	2,071.1	6,729.7
Other	1,128.2	310.2	2,242.6	1,111.2
YTD	100.0	300.0	2,000.0	1,000.0
US\$	1,472.8	2,118.8	6,703.3	9,204.9
YTD	1,020.0	40,767.7	6,771.1	7,771.1
Other	1,177.9	36,953.3	7,771.1	7,771.1

Week to July 19, 1990
Source: AIBD

NOTICE OF EARLY REDEMPTION TO HOLDERS OF



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Notice is hereby given that Crédit Foncier de France (the Issuer) has pursuant to condition 7 (b) of the terms and conditions of its Yen 15,000,000,000 Guaranteed Floating Rate Notes Due 1997 elected to redeem all of such outstanding Notes on the next interest payment date, being 31st August, 1990 at their principal amount, together with interest accrued to the date of redemption. Payment of the principal amount together with interest accrued will be made against surrender of Notes and Coupons at the office of the Fiscal Agent located at: 3-3 Marunouchi, 1-chome Chiyoda-ku, Tokyo 100 or at the offices of the Paying Agents listed below. Where any Note is presented without all unmatured Coupons relating thereto redemption shall be made only against the provision of such indemnity as the Issuer shall require.

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WORLDINVEST INCOME FUND

DECLARATION OF DIVIDEND No. 27

The Trustees of the WorldInvest Income Fund are pleased to announce an interim US\$8.50 per share distribution to Shareholders in respect of the half-year period from December 29, 1989 to June 28, 1990.

Coupon Number 27, and any previously unrepresented coupons, may be presented for payment on or after August 1, 1990 to either of the following Payment Agents:

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INTERNATIONAL CAPITAL MARKETS

Pentagon cancels \$3bn contract with Lockheed

By Roderick Oram in New York

THE PENTAGON has cancelled a \$3bn contract it awarded Lockheed to build a new type of anti-submarine aircraft, because of what it described as an inadequate performance by the company.

The rare move will hurt Lockheed's earnings, cost 900 workers their jobs and may renew criticism of the Lockheed management by Mr Harold Simmons, the Texas investor who controls a 19 per cent stake in the company.

Lockheed had to take a \$300m write-off in the fourth quarter of last year when it found it had miscalculated how much it would cost to develop the aircraft, the P-7A. It had hoped to base it on the existing P-3 but found it had to do more extensive work.

The contract was revoked because Lockheed "had failed to make adequate progress" in designing and building the first two prototypes which were scheduled to fly in two

years, the Navy said.

The grounds on which the Government cancelled the contract will prevent Lockheed seeking reimbursement for its investment to date. The company said it would seek to have the cancellation reclassified to enable it to recover some costs.

The P-7A was the only significant new military aircraft project Lockheed had, although it is competing for the contract to build the next generation of Air Force fighter.

Nova tumbles in second quarter

By Bernard Simon in Toronto

A 46 PER CENT tumble in operating earnings from petrochemicals and plastics badly dented the second-quarter earnings of Canada's Nova Corp.

Net earnings fell to C\$56m (US\$35.7m) or 16 cents a share from C\$72m or 28 cents a share. The bottom line was partly cushioned by an after-tax gain of C\$30m or 10 cents a share, from the sale of Grove (talia), an Italian pipeline valve manufacturer. The gain is net of Nova's subsequent purchase of a 33 per cent stake in the

new controlling shareholder.

Second-quarter revenues rose fractionally to C\$1.34bn. Operating income from plastics, petrochemicals and rubber slid to C\$96m from C\$178m. But earnings from Nova's other key business, natural gas pipelines, climbed to C\$80m, from C\$70m, reflecting expansion of its Alberta pipeline system.

The company blamed the profits downturn on weak petrochemical prices, high Canadian interest rates and the strong Canadian dollar. On the

other hand, production volumes in the petrochemicals and rubber divisions increased.

Nova, burdened by debt from its takeover two years ago of Polysar, the Canadian petrochemicals producer, recently announced the C\$1.25bn sale of its highly regarded synthetic rubber division to Bayer of West Germany.

The deal, expected to be closed within the next two months, will release Nova from about C\$100m in debt of the rubber business as well as all trade and other liabilities.

Texas Instruments warns of likely loss

By Roderick Oram

TEXAS Instruments made only a meagre profit in the second quarter and warned it might report a loss for the third quarter, largely because of the depressed state of its semiconductor business.

Its net profit for the three months to June plunged to \$11m, from \$106m a year earlier. After paying dividends on preferred stock, the final net was \$1m, or 2 cents a share, against \$96m, or \$1.14. Revenues slipped to \$1.59bn from \$1.63bn.

Coupled with a first-quarter loss of 6 cents a share, the latest result gave a first-half net of only \$24m against \$191m a year earlier. After dividends on preferred stock the final net was \$6m, or 7 cents against \$171m, or \$2.04. Revenues were \$3.13bn against \$3.23bn.

"After slowing significantly in the second half of 1989, the world semiconductor market appears to be stabilising," said Mr Jerry Junkins, chairman. The market remains sluggish in the US but "robust" in Europe and is gaining strength in Japan and the Asia-Pacific.

Despite some improvement from the first quarter, TI's semiconductor business continued to operate at a loss in the second quarter. It was dragged down by market conditions and high costs for starting up new products and capacity.

Advanced Micro Devices, the California chip maker, fell into a loss of \$5.9m or 10 cents a share in the second quarter to July 1, on revenues of \$267.7m, compared with a profit of \$12.1m or 12 cents per share, on revenues of \$274.9m a year earlier, Reuters reports from Sunnyvale.

AMD said strong competition caused disappointing revenues in the second quarter, and high costs tied to a severance programme brought about the loss.

The results included a gain of \$8.1m from the sale of an investment.

Mr W.J. Sanders, chairman, said the company was cautious about expectations of significant growth in the traditionally slow summer quarter.

Malaysian broker sets a precedent

Lim Siong Hoon on growing links between banks and broking houses

Convergence between banks and stockbroking firms in Malaysia took an unexpected twist last week when Rashid Hussain, the country's largest brokerage, announced it was buying a 20 per cent stake in Development and Commercial Bank, the country's fifth largest banking group.

The deal sets a precedent because until now the only ties have been through banks owning brokers and only a handful of the 35 domestic banks have a broking offshoot. Most of the 33 broking houses are controlled by individual licence holders.

Rashid Hussain's M&S24m (\$83m) investment, bought from United Industrial Corporation of Singapore and to be paid for through a three-for-five rights issue, offers it access to its D&C's activities covering commercial and merchant banking, insurance, leasing, investment and fund management.

Financial regulations and force of habit have in the past tended to keep the two sectors apart. Banks, suspicious of financing margin trading, extract



New rules introduced on the Kuala Lumpur Stock Exchange

high charges for stock market lending.

Most brokerages are undercapitalised at M\$2m, the minimum requirement. But for the past year they have been under

official pressure to find corporate partners, to raise their minimum capital to M\$5m immediately and to M\$20m eventually, and to introduce more research.

Both the brokerages and the banks have been targets of government-driven reforms, partly in order to ensure they cope with new equity issues coming to the market from the country's privatisation programme.

Banks have been undergoing a similar capital restructuring exercise which, among other things, will help diversify their lending activities. These reforms brought forward the expectation that banks could soon come to own a larger slice of the brokerage business. But Rashid Hussain's purchase represented the opposite.

Rashid Hussain, which opened for business eight years ago, is the country's only publicly quoted broking house. Earlier this month, rules were introduced which lay the path for more brokerages to raise capital on the Kuala Lumpur Stock Exchange.

The Government seems supportive of bank-broker links which would make change in the sector more palatable than merely driving them to sell their business to big companies or banks.

Successful Mexico debt-equity swap auction

By Richard Johns in Mexico City

THE 358 bids made in Mexico's first debt-equity swap auction were equivalent to no less than \$15bn of the country's \$41.6bn in outstanding medium and long-term public sector debt, according to officials who said: "We were really a bit overwhelmed by the response."

The Ministry of Finance announced that 27 offers at a discount set at 50.2 per cent had been accepted for the \$1bn

in conversion funds at stake. Mexican public debt recently has been traded at 44 to 45 per cent of face value on the secondary market.

Ministry of Finance officials also expressed satisfaction with the amount of the discount achieved. Offers ranged from 35 per cent - the minimum set - to 66 per cent with an average of 46.46 per cent. All the bids related to infra-

structure investments related to projects and none to privatisation. The officials believe the approvals probably involve a total investment commitment of at least \$3bn with the infrastructure requirements of, for instance, a big tourism project accounting for anything from 20 to 33 per cent of the cost.

Officials say that communications related to projects, in a wide variety of sectors apart from

tourism and not least agriculture, constitute the single most important area of investment involved in the auction.

Foreign bank representatives here believe the Government may be regretting - in view of generally disappointing investment flows from abroad - it set a limit of \$3.5bn on debt-equity swaps for 1990-92 in negotiations with commercial bank creditors in March.

European banks to set up payment netting system

By David Lascelles, Banking Editor

A TOTAL of 19 leading banks operating in the European foreign exchange market have agreed to set up a payment netting system to simplify settlement and reduce trading risks.

The project, to be known as Echo Netting, will be based in London and should be in operation at the end of next year.

which banks which normally send large numbers of payments to each other every day, net out their obligations to a single amount instead. This greatly reduces transaction costs and the risk of default.

Mr Graham Duncan, the project manager, said Echo Netting was the most ambitious netting system yet

devised because it was based on multilateral netting between a large number of banks and would cover many different currencies and value dates. Other netting systems were more limited in scope.

The 19 founding banks include the members of the Abecor and Ebie banking associations, among which are

Europe's largest banks: Barclays Bank, Deutsche Bank and Banque Nationale de Paris. There are also three US banks, Bankers Trust, Chase Manhattan and Morgan Guaranty Trust. Others will be invited to join. Mr Duncan said that the potential list of large dealers in the foreign exchange markets was 80 banks.

Swiss bank seeks improved business climate

By William Dullforce in Geneva

SWISS Volksbank, Switzerland's fourth largest bank, said that to achieve a satisfactory 1990 result, it needs an improvement of climate in several business areas during the second half of the year.

Last year it posted a 13 per cent increase in net earnings to SF136.5m (\$97.5m) but did not increase its dividend.

Without stating profit figures, the bank said the earnings environment during the second quarter had been marked by the adverse influence of high interest rates. The rates had led to a shift from favourable to costly funds.

Marine Midland Banks slips further into the red

By John Elliott in Hong Kong

MARINE MIDLAND Banks, the New York-based subsidiary of the Hongkong and Shanghai Banking Corporation, slipped further into the red during the second quarter when it produced a net loss of US\$55.8m against net income of \$41.4m in the same period of last year.

This led to a \$19.8m loss for the first six months compared with net income of \$81.6m. The losses have been mainly caused by problems in the US commercial property market.

Marine Midland said it expects "continued pressure on earnings throughout the remainder of 1990," and Hongkong Bank is making no predictions about when a turnaround can be expected. This is despite a restructuring in progress which is aimed at cutting costs, making capital improvements, and disposing of some businesses and assets.

Marine Midland sold its international private banking business to Barclays Bank during the second quarter. Earlier this month it sold 80 per cent of its ownership in Marininvest to Wardley Investment Services, part of Hongkong Bank's merchant banking arm. It also reduced its loans to refinancing less developed countries.

On June 30 Marine's Tier 1 capital, under capital adequacy guidelines, amounted to some 4.9 per cent of risk adjusted assets, against 4.18 per cent at the end of the first quarter and 3.77 per cent at the end of last year.

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July 1990



[illegible]

Int Telecomms	3,309,880	27.4	- 1/2	Falls	904	883	1,612
OTE Corp	2,238,580	29.4	- 1/2	Unchanged	514	509	946
Brownchap Parfitt	2,082,300	69 1/4	- 1/2	New Highs	31	31	13
Chase Manhattan	1,779,200	20 1/4	- 1/2	New Lows	42	46	59
Upjohn	1,417,900	43 1/4	- 1/2				

CANADA							
TORONTO							
	July 20	July 19	July 18	July 17	1980		
					HIGH	LOW	
Metals & Minerals	3314.92	3307.26	3294.25	3294.91	3453.09 (4/1)	2854.00 (2/24)	
Composite	3577.66	3574.94	3560.80	3561.39	4009.47 (3/1)	3334.20 (1/2)	
MONTREAL Portfolio	1886.96	1882.43	1885.04	1880.74	2046.90 (3/2)	1720.25 (2/7)	

Base values of all indices are 100 except NYSE All Common—50, Standard and Poor's—10, and Toronto Composite and Metals—1000; Toronto indices based 1975 and Montreal Portfolio A-11 B3 Y Excluding Bonds; Industrial, plus Utilities, Financial and Transportation, (C) Closed, (U) Unavailable.

TOKYO - Most Active Stocks							
Friday July 20 1980							
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Ajinomoto	30.7m	2,460	+48	Tokyo Tobacco	8.5m	3,980	+180
Nissan Oil	30.3m	1,460	+20	Nissan Light Mfg ..	8.6m	1,150	-50
Mitsui Bussan	18.9m	837	+4	Tohoku Oil	5.3m	1,210	+30
Kurarai Inds	13.7m	1,150	+10	Yamaha Power	8.4m	2,280	0
Puji Heavy Ind	9.7m	731	+11	Japan Mita Chem ..	4.8m	1,860	-30

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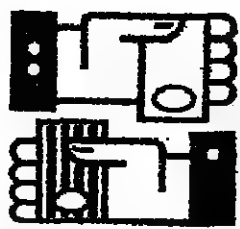
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FINANCIAL TIMES
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GROWING BUSINESSES

Monday July 23 1990



The past decade has seen a resurgence of small businesses in the UK, but the next few years will show

how many of them can withstand high interest rates and more testing times, writes Charles Batchelor. Is the Government still as supportive as in the boom years of the 1980s?

The hurdles get higher

IF THE opening months of the 1990s are a reliable guide, the decade is likely to be a tough one for small and medium-sized businesses in Britain. In the immediate future, they face the prospect of continuing high interest rates and the introduction of the Uniform Business Rate, while in the longer term, there may be severe staff shortages as the supply of school-leavers dwindles.

None of these burdens falls exclusively on smaller businesses but they often lack the financial and management resources available to larger companies to survive such pressures. The worsening economic climate, which 31. Britain's largest venture capital group last month called "the most serious challenge to the enterprise culture" has increased the already high rate of small business failures and threatens to undo some of the ground made up by smaller businesses in the 1980s.

The past decade has seen the resurgence of small business as changing attitudes in the 1970s were transformed into specific policy measures - the Enterprise Allowance Scheme, the Loan Guarantee Scheme and backing for enterprise agencies - in the 1980s. The number of VAT-registered businesses rose from 1.5m to 1.8m in the course of the decade while the numbers of self-employed (some already included in the VAT statistics) leapt from just under 2m to more than 3m.

The Government claims to

be as supportive of smaller businesses as in the boom years of the 1980s. "Small firms remain a top priority for the Government," Mr Tim Eggar, the small firms Minister, said recently. But the small business lobby groups want more help for their members while academics like Mr Jim Curran, head of Kingston Polytechnic's small firms unit, believe such firms are less central to the Government's economic policy. Official support may be cut in the 1990s, he says.

Outlining his priorities in what he called a "state of small business" report in December, Mr Eggar said his main concern was businesses employing between 20 and 50 people. Businesses in every other category up to 1,000 employees had created jobs, but firms of that size had shed them.

Finance was not the main problem, Mr Eggar opined. What these businesses faced was a "people gap," a failure to gain access to the sources of advice and help provided by the business networks of chambers of commerce, business clubs, banks, accountancy firms and large companies which were their customers. All these organisations should make their expertise more readily available to smaller companies, Mr Eggar urged.

More specific help was called for in a report* on the barriers to growth for technology-based companies employing between 50 and 500 people. Published in June by the Government's



Advisory Council on Science and Technology (Acost), the report said too few companies were able to grow large enough to exploit fully their technological potential without selling out to a larger company and losing their independence.

The main barriers to growth identified by the report were a lack of strategic management skills among managers, an inadequate supply of risk capital and the limited government measures to encourage smaller firms to expand.

The report's authors urged the Government to encourage corporate venturing, whereby large companies take equity stakes in small innovative firms; they wanted the Business Expansion Scheme to be refocused to help smaller technology-based companies and smaller companies to be given a share of government research and development contracts. The Government's response to most of the suggestions was lukewarm. Many of the problems of growth were "the unavoidable challenges in market, management and technology," it said.

Other recent initiatives by small firms lobby groups have had similar negative responses. The Forum of Private Business, with 17,400 members, has made several attempts to win support for a parliamentary bill allowing small businesses the automatic right to interest on unpaid bills. Small firms

are owed nearly £20bn by large companies and government departments, but they lack the means to bring pressure on slow payers.

Another British lobby group, the Union of Independent Companies, which represents 300 small and medium-sized manufacturers, is pressing for the creation of what it calls a Business Development Board to provide cheap, fixed-rate, long-term loans to smaller firms along the lines of government lending in Germany and Japan. But the lobbyists have yet to convince the Government that small businesses deserve exemption from its anti-inflation programme.

In the crucial area of small business training, though, the Government has been more positive. Programmes were repackaged and relaunched in April 1989 under the Business Growth Training label with a first year budget of £55m and the target of helping 100,000 small business owners.

The Enterprise Initiative, one of the most successful of any of the small business programmes, is to be extended for three more years. It was announced last month. The initiative, launched for three years with a budget of £250m in early 1988, provides subsidised management consultancy help for small firms in subjects such as design, marketing, quality management and business planning. Nearly 36,000 applications for assistance under the scheme had been

approved by the end of April.

Uncertainty does, however, surround the Training and Enterprise Councils (Tecs), which are being set up to deliver on a local basis training to firms of all sizes and special assistance to smaller firms. Concern has been voiced about the extent to which the Tecs will be dominated by larger businesses and the possible fragmentation of some training programmes currently run by the Training Agency.

In the private sector the banks have called a halt, temporarily at least, to the plethora of special small business

accounts and other incentives launched in recent years to increase their share of the small business market.

Meanwhile, the venture capital industry has faced a barrage of criticism over the past year for its concentration on management buy-outs and buy-ins at the expense of helping start-up or early stage companies. The British Venture Capital Association is working on a plan for a dozen new "seed capital" funds but says it needs government subsidies to get the programme off the ground. One hopeful sign in the venture capital area is an increase in the number of

smaller regional funds which are reducing the industry's bias towards the south-east.

But with less than 2½ years to go until the formal completion of the single European market, there are fears that many smaller British companies are having to devote more time to the problems of their home market at the expense of developing strategies for Europe. The next few years will show whether the resurgence of small businesses was a phenomenon of the buoyant 1980s or whether they can withstand more testing times.

* The Enterprise Challenge: Overcoming Barriers to Growth in Small Firms

IN THIS SURVEY

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Production management: a neglected discipline

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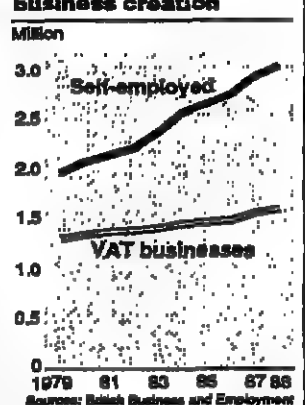
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Growth in small business creation



Charles Batchelor on the right course for the new company

Not to train may be lethal

PERSUADING the owner-managers of small businesses that it is worthwhile training either themselves or their staff is an uphill struggle. People starting up in business have many other things to think about as they battle to get themselves established. Once the business is up and running, they often cannot spare the time to take training courses.

A survey three years ago by the Forum of Private Business, a small firms lobby group, revealed that 80 per cent of

respondents had had no business training. Another survey published last February by the Institute of Directors, most of whose members run small or medium-sized businesses, showed a similarly bleak picture. More than nine out of 10 of those polled had not received any formal preparation for board responsibility.

"Most small firms don't like training and don't do any," says Mr Paul Burns, professor of small business development at Cranfield School of Manage-

ment. "Less than 2 per cent of firms undertake training and it accounts for under 1 per cent of company spending." This attitude is surprising for there are strong indications that training can reduce the high mortality rates of small firms. One in three small businesses can expect to cease trading within the first three years compared with just one in 10 which goes down in the first two years if its founder has followed a training course.

Mr Kendall Chew, founder of Bullet Couriers, a Bourne End,

Buckinghamshire company with turnover of around £400,000 and 12 full-time employees, is convinced that training has been good for his business. Mr Chew says training taught him to monitor his finances very closely. He contrasts this with the attitude of the owners of other local couriers which he has acquired.

Frequently, these companies had no up-to-date financial information on the state of their business, which may have explained why their own-

Continued on Page 2

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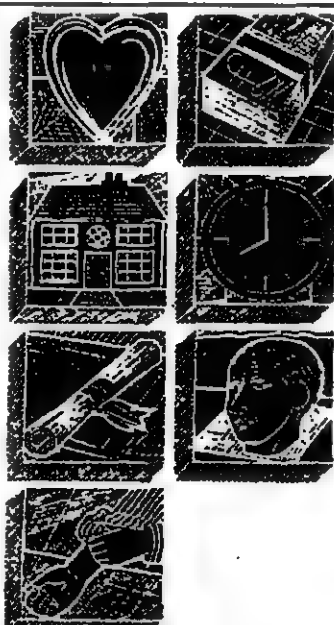
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GROWING BUSINESSES 2

Up-and-coming firms used to aim for the stock market. Why are some now reluctant?

The drawbacks of going public

A PUBLIC flotation, the traditional goal of most aspiring company founders, has lost a lot of its appeal over the past 2½ years. The stock market crash of October 1987; the very limited liquidity of many of the smaller Unlisted Securities Market (USM) stocks; and increasing disenchantment with the pressures of public company life have made many business owners think twice about going public.

In straightforward financial terms it can now be more profitable to sell your business to a trade buyer - another, usually larger company - which is prepared to pay a premium because the purchase will take it into a new market or consolidate its position in an existing field. The stock

The yacht could no longer be treated as a company expense

market valuation will usually be considerably lower. Mr Kevin McNeany, founder and managing director of North Anglia Education, spent four months and \$300,000 preparing his company for a USM flotation. Last December, on the day before the price of the issue was due to be announced, he decided that his company, which runs a chain of private schools and language schools,

was being floated too cheaply. "I wasn't willing to accept the price because it was 30 per cent less than what had been suggested before," says Mr McNeany, a former teacher who over 18 years has built up a business with turnover of \$8.2m and pre-tax profits of \$610,000. To the horror of his financial advisers, he called off the flotation.

Mr McNeany left his decision to withdraw until the very last minute but other entrepreneurs have not realised their mistake until after they have obtained a listing. Mr Andrew Lloyd Webber, the composer and founder of the Really Useful Group, and Mr Richard Branson, majority shareholder in Virgin, the entertainment group, were both so disillusioned with a public quotation that they took their companies private again. The realisation among many business people that going public may be more trouble than it is worth has contributed to a decline in the number of new UK company flotations on the full, USM and Third Markets from 288 in 1988 to just 210 last year.

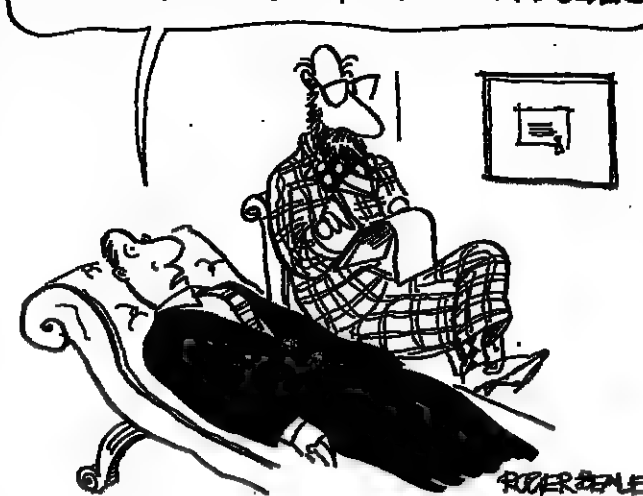
Venture capitalists like Mr Ronald Cohen, chairman of Alan Patricot Associates, say that in the present climate they do not regard a public flotation as a viable option for the companies they have backed. The markets do not put a realistic valuation on small companies, however well they may have done, while a shortage of market makers in the stocks of small listed companies contributes to a lack of liquidity.

But even before the market downturn of the past 2½ years, flotations had a number of drawbacks to set against the advantages of enhanced prestige, the realisation of the owners' investment and the ability to issue shares to finance acquisitions.

The chairman of one successful private company, a keen amateur sailor, decided he would rather not obtain a public listing when he realised his yacht could no longer be treated as a company expense.

"For quality of life, the privately-held company is ideal," comments one chairman who did, nevertheless,

EVER SINCE THE FLOTATION I KEEP FEELING I'M BEING FOLLOWED BY ANGRY SHAREHOLDERS



take his company public. "We were able to employ our wives in the company; give them company cars; set up schemes for our children's school fees and maximise the tax advantages of our pension scheme. You must have a very good reason to give all that up."

Separating the owners' private affairs from those of the company in the run-up to

flotation can be a painful and complex process. Nevertheless, arrangements which might be quite allowable in a private business, where the owners and managers are the same people, will not be acceptable to outside shareholders.

There are likely to be many hours of grueling discussion as the stockbrokers, the accountants and the lawyers examine the business's accounts. Directors must expect that all their statements, claims and figures will be checked against the company's records. One company chairman estimates he was called upon to answer no fewer than 300 questions on the contents of his draft prospectus.

Even when everything has been verified, directors may still be asked to give personal warranties that the statements which have been made are correct. Some directors balk at giving warranties because they feel this implies that they have not been telling the truth. However, warranties are a standard part of the flotation

process. Once the company has obtained its listing, its directors must accept that they will be under increased public scrutiny. One company director comments: "After being a family company for three generations we were suddenly responsible to some 400 shareholders." This may not prove too much of a burden as long as all is well but if something goes wrong the company will start to feel the pressure of City and press comment.

These commentators are likely to prove unforgiving if the company fails to show a steady improvement in its performance. Private companies can undertake costly investments which temporarily reduce profits knowing that the benefits will show through later. Shareholders in a public company are less likely to take a long-term view of a company's investment plans.

"You are on a treadmill," comments one chairman, who was delighted with his company's performance in its

said: "Let's open the champagne." They said: "That's great. Now tell us about next year."

So what can directors do if they decide that a flotation is not an attractive option? If the reason for the listing was mainly to raise finance, then they might turn to a venture capitalist or a private investment group. North Anglia approached several venture capitalists and finally reached agreement with Charterhouse Development Capital to provide \$3m in return for a 39 per cent equity stake.

Venture capitalists should be prepared to take a longer-term view of a company's prospects than uninvolved outside investors but ultimately the

Venture capitalists should take a longer-term view

venture capitalists will want their "exit" - either by flotation or a sale. Owners must weigh up whether the deal they can do with such an investor is financially more attractive than could have been achieved by means of a public listing - crucially, are they having to give up a larger slice of equity?

Charles Batchelor

PRODUCTION MANAGEMENT

A neglected discipline

MANY BUSINESS people are so enthusiastic about their products that they are keen to control every detail of design, manufacture and marketing. But that can prove dangerous, distracting entrepreneurs from the really crucial aspects of their business.

Manufacturing is a tricky task for the new entrepreneur and one that, in the early stages at least, can usefully be contracted out to people with more experience.

"The typical person starting a business is loath to give up control of the product because that is what he loves doing," says Mr Paul Burns, professor of small business development at Cranfield School of Management. "But the businessman who has 100 things to consider should concentrate his efforts on the half-a-dozen key elements such as marketing which will determine the success or failure of his business."

At most, the start-up company should be involved in assembling the finished product because this gives it control of quality, Mr Burns suggests. Sub-contracting out the manufacturing will also reduce the financial burden on the new business because buying equipment, leasing or buying a factory and employing staff place enormous demands on a business's finances. Providers of finance often prefer to wait until a business has a track record before putting up funds for investments in manufacturing capacity.

Not that dealing with sub-contractors is always simple.

When Mr David Vint set up Vint Industries, just under two years ago, to make the Huggie, an oil-filled hot "water" bottle, he contracted out the rubber moulding work. But he felt his sub-contractors were charging him too much, so he decided to bring the work in-house.

The employees at the company's Crickhowell, South Wales factory took to the Huggie quickly enough because many had worked for industrial companies before, but Mr Vint still had to overcome a series of teething difficulties. In the first few months a couple of pumps on the rubber presses failed and the natural rubber which had been recommended by Malaysian experts proved unsatisfactory. Vint Industries had to switch to a synthetic rubber which matched its requirements.

By a process of trial and error and with the help of a management consultant skilled in manufacturing procedures, Vint Industries took about a year to get its production operations working reasonably smoothly. It now does much of the manufacturing as well as carrying out the assembly and final testing. The main bought-in items are electrical components.

Getting started in manufacturing may be the biggest challenge but, even when businesses become more established, managing production is likely to remain a major source of concern. As the product range expands and as volumes increase, managing the flow of materials through the

factory becomes increasingly complex.

When Mr Bill Thomson joined Portico, formerly Clydebank Doors, as production manager nearly two years ago he was faced with a welter of problems. There was no proper system for storing delivered timber; doors were being made in large batches to justify the time taken to set up the machinery; but were then changing around in the factory for so long that many were damaged by the time they reached final inspection. As a result, the company was making losses on a turnover of £1.2m.

Mr Thomson introduced a manual system for tracking the progress of the timber and the semi-finished doors through the factory. A written record was kept of incoming timber, when it went from stock to production and when the finished door went into final stock. Once this manual system worked satisfactorily, it was transferred to computer on specially-written software.

As a result of these improvements the company can plan its production levels. Doors are made in smaller batches so they spend less than a day in the machine shop compared with a week before and the value of work in progress has been cut to just \$5,000, a quarter of previous levels. By reducing the volume of stocks Mr Thomson, now managing director, says he created enough room in the factory to start up a hardwood window production line. Portico, which employs 46 people, expects to be in profit by the year-end on turnover of £2.4m.

In recent years evidence of the success of Japanese companies in improving manufacturing efficiency has spurred Brit-

ish manufacturers to do more, though in many businesses production management is still a neglected discipline. Production managers are often chosen on the basis of time served in the factory and many are given no management training.

Production management still receives scant attention in business schools and in training programmes for smaller companies. It often pays less well than other areas of management and fails to attract the best people. Yet it embraces many areas of a company's operations, from the layout of the factory through the ordering of raw materials and components to despatch and after-sales service. Production management involves the choice of manufacturing processes - production line, batch or one-off - as well as costing and how the workforce is motivated and paid.

The overriding principle is that a company takes an integrated view of its operations instead of treating the different elements in isolation. Purchasing might calculate that a particular bought-in component represents good value for money but if it is difficult to integrate into the production process it may increase total costs. Resolving problems of faulty or unsuitable components should not be left to purchasing but should involve shopfloor supervisors and staff who know in detail what needs to be changed.

Production management requires that attention be paid to a lot of seemingly insignificant details. The cumulative effect of getting these right can be a marked improvement in the overall profitability of the business.

Charles Batchelor

Not to train may be lethal course

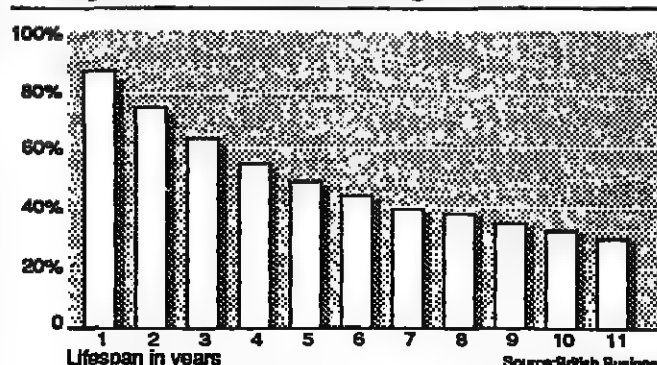
Continued from Page 1
ers were selling out. One said his books were with his accountant and that they would not be available for two months. "He didn't even know if he was making money or not," says Mr Chew.

Over the years the Government, in the shape of the Training Agency, and the private sector providers of training have been honing the training courses which they provide to smaller companies. Efforts have been made to make training more relevant, practical and interesting.

Courses are provided in "modules" which allow business people to spend an evening or a day on subjects such as bookkeeping, computers and marketing and in the shape of longer, in-depth courses which allow participants to think through every aspect of their own particular business.

The most recent "repackaging" of the government programmes took place in April 1989 when Mr Norman Fowler,

Lifespan of businesses registered for VAT



then Employment Minister, launched the Business Growth Training programme. This was intended to help 100,000 small and medium-sized businesses in its first year at a cost of \$55m though a slower-than-expected start meant this number was not quite reached.

Business Growth Training is a catch-all title for a number of training programmes which were already in existence as well as some new ones. It comprises five options:
• The first is a diagnostic kit in loose-leaf book form which allows the business person to devise a business plan and identify and develop the skills he or she may lack. Counselling is provided to help people through the kits.
• Option Two comprises three established schemes. The Private Enterprise Programme consists of 18 one-day seminars on such subjects as tax and bookkeeping while the Firmstart and Growth programmes provide detailed assistance spread over six months to new and established businesses.

• The third option is intended to help established small firms manage change by providing them with the services of a management consultant. It is his/her job to help the company devise a strategy for growth and arrange skill development and training for both the owner-managers and staff.
• Mr Ian Quick, managing director of the commercial stationery business he runs with his two brothers in South Norwood, London, says his company broke out of a two-year period of stagnating sales and profits after calling in consultants under Option Three. "We were fire-fighting," says Mr Quick, finance director. "The problems of the day were all-consuming. We were hands-on managers rather than directors."

Working with Mr Rob Lillystone of Hambleton Group, a Tunbridge Wells, Kent consultancy, the Quicks drew up the first business plan that their 15-year old company had ever had. Budgets were introduced for the business's five

departments to give tighter control of spending and allow the creation of a staff bonus scheme.

The computer system was reorganised to provide detailed monthly analyses of the sales force's performance and of the financial performance of the company to target its most important customers while transferring smaller customers to the sales team. Profits improved to \$50,000 in the year ended March 31 while turnover rose from £1.3m to £1.8m. Equally important, the previously high level of staff turnover was reduced.

Option Four provides help for joint training schemes where several companies work together or with organisations such as chambers of commerce and trade associations.
• Finally, the fifth option helps innovative training initiatives which differ radically from those used by a business in the past.

As Training and Enterprise Councils (TECs) become established on a local basis, they will take over the running of training initiatives which have previously come from the Training Agency in Sheffield. Locally-run schemes should prove more responsive to local needs. But some organisations such as colleges and business schools which "deliver" Training Agency programmes fear local initiatives may waste some of the marketing effort which has been put into getting the existing schemes known.

If this were to happen, it would be a setback for an already weak tradition of business training.

FINANCE

Banks' vested interest in success

250,000 to developing technology-based businesses. The unit also operates a new technology appraisal service, under which products or services of a highly technical nature can be assessed by outside experts for viability and marketability.

The TSB has chosen to concentrate its efforts on personal customers but it also offers help to professionals, such as dentists, doctors and accountants, by providing loans for those who want to set up their own practice.

There are many self-employed people on the TSB books, ranging from window cleaners to garage mechanics, and most run their affairs through personal accounts. This suggests there may be little difference between a small one-man band operation and a small business, the bank says.

As well as providing specialist products, expertise in the small business sector has also been built up among banking staff. Midland Bank employs about 500 staff in its 350 enterprise centres in England and Wales.

"Managers of these centres look at it from a businessman's point of view early on and then from a banker's point of view," says Midland Bank. "I think we've got more empathy with them than bankers had in the past."

The Midland is not alone in trying to address the needs of small companies. "In the past, the banks did not understand the needs of business," says Mr Richard Cracknell, senior business development manager at Barclays Bank.

In an effort to become more responsive to small business customers, Barclays has retrained 30,000 managers and senior staff. Almost all existing branches of Barclays offer personal and business services and 330 of the bank's 2,700 branches have been designated business centres.

Mr Cracknell thinks it is important that bank managers understand that small businesses require advice in areas other than banking, such as marketing and staff training. "There is enough information out there for the small business," he says. "His/her problem is accessing it."

Mr David Harrop of the FSB, "the changes made over the last few years don't go far enough, with very little to choose between the services on offer from the banks."

"Small businesses are perhaps changing quicker than the banks," he says. "Our members feel they get a fairly lacklustre, mediocre service." With one eye on the single market in 1992, Mr Harrop believes that small firms may be more prepared to consider changing banks. "If banks really want to get the business, they've got to shape up. There will be others waiting in the wings," he says.

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GROWING BUSINESSES 3

Two profiles: (left) LINN PRODUCTS manufactures hi-fi near Glasgow and (right) EBONY AND IVORY TOURS, based in London

Vinyl enthusiast ploughs lone furrow despite 'tax people'

NO SIGN stands at the entrance to Linn Products' factory outside Glasgow and the road leading to it is virtually single track. Yet the plant itself is a purpose-built structure designed by the Richard Rogers Partnership, also responsible for the Pompidou Centre in Paris. Inside is one of Britain's most highly automated manufacturing systems.

The lack of a sign and the narrowness of the roadway are the result of restrictions on the company by the local planning authorities at Eaglesham, Strathclyde. To Mr Linn, the managing director of Linn, they are both a hindrance and a symbol of the many other restrictions on the growth of medium-sized companies in Britain.

"A company like ours would be 10 times larger if we operated in the business environment of the US," Mr Linn says. He is fond of telling visitors around 50 a week - who visit the plant. Linn's turnover last year was about £5.5m and it employs about 150 people.

Linn is one of the world's leading makers of high quality hi-fi equipment. It makes record turntables, amplifiers, speakers and tuners for people who want excellent sound reproduction. Although Linn equipment can be used with compact disc player or tape deck, it believes fervently in the black vinyl record and Mr Linn is one of the leaders of an army of enthusiasts convinced that the vinyl disc provides better musical quality as well as better value for money than the CD.

The plant itself, on which Linn spent \$4.5m, about one year's turnover at the time it was built, is one for enthusiasts of manufacturing systems. Computers play key roles, controlling everything from design to stock and sales. The warehouse is automated and components for assembly are conveyed to the individual assembly workers by automatically guided vehicles. Linn long since abandoned the

assembly line principle in favour of single stage build: each worker is given all the components for a product and assembles it himself.

Linn finds this quicker, easier to organise and more satisfying for the staff than the assembly line process. Automation reduces the need to maintain large stocks.

Linn equipment, which sells for between £1,000 and £10,000, is available in the UK through about 130 specialist hi-fi shops. But 75 per cent of Linn's output, measured by volume, is exported to countries such as Japan, the US and elsewhere.

Mr Tiefenbrun is convinced that the vinyl disc provides better musical quality, as well as better value for money than the CD where it is often favourably compared with prestige US and Japanese products costing five times as much.

Mr Tiefenbrun, who with his brother started the company in 1973, believes that Linn is technologically one of the most accomplished small companies in Britain. It has been profitable in recent years, earning about £500,000 in 1988-89 after deducting £800,000 for research and development. The company has largely paid off the £4m it borrowed to finance the new building.

Linn ploughs a lone furrow, insisting on technological excellence, pursuing a fervent belief in its particular field of hi-fi and making very large capital investments in computer and production systems. The company writes all its own software.

The search for perfection in automation which led to the insistence on total computerisation also spawned a project to build a new type of computer, which Linn claims to be the world's first object-oriented computer. In object-oriented programmes any problem that develops is confined to the sealed unit where the problem

lies, rather than spreading to other areas.

The Rekursiv also uses a special object-oriented language devised by Linn which enables all the company's functions - design, manufacture, stock control and accounting - to run on the same system. But a further facility, to enable more than one person working in different parts of the plant, to work on the same data at the same time, needs more development.

Through a subsidiary Linn spent £2.5m on the Rekursiv and the Department of Trade and Industry bought a number

of the plant, which came on stream in 1987, leaving him with enough water on site to run a distillery and arrangements for fire tenders that treat the single storey unmanoeuvred store as if it were a six-floor building.

The planning restrictions, also resulting in the absence of the sign and in the narrow roadway, contrast, Mr Tiefenbrun says, with the speed and ease with which large foreign multinationals are able to set up manufacturing plants in Scotland. He has refused to compromise with the authorities: "Some people say I should have made friends with politicians or even joined the free-masons. But that is not my way."

He believes that the Inland Revenue conspires against business success for medium-sized companies through its relentless pursuit of information, much of it trivial. As a fully computerised company, Linn is particularly vulnerable to requests for detailed information.

A particular blow was the decision by Mr Nigel Lawson when Chancellor of the Exchequer to remove tax relief on entertaining foreign customers, particularly when they are in Britain. This, says, has reduced Linn's foreign sales by one-third.

The abolition of tax relief on capital investment is considered a further blow. "The tax people are running the country with petty vindictiveness," he says. "They always go for the successful companies."

Linn has its own high quality niche. But the antipathy to manufacturing in the British business environment - the UK has not created a single substantial manufacturing company in the past 50 years - leads Mr Tiefenbrun to conclude that Britain will in time become like Egypt, where millions of people have to be employed in pointless bureaucracy because there is nothing else for them to do.

James Burdon

How Ms Cameron exploits potential of ethnic market



Cheryl Cameron, director of Ebony and Ivory Tours

CHERYL CAMERON'S gentle, relaxed manner and mellow American accent give prospective clients the impression that each is special and she has all the time in the world for them. Her earlier profession was as an actress. For the truth is that time is something she never has enough of.

Aged 42, Ms Cameron is director of London-based Ebony and Ivory Tours Ltd. Launched in March 1988, it offers tour management facilities for groups and individuals holidaying in Britain.

Like many people with a young company, she finds one of her greatest problems is finding time both to manage the business she has attracted and generate new business. "I work between 16 to 18 hours a day and do a seven-day week. When there's a tour running we operate a 24-hour service. Slotting in time to relax is difficult and I certainly don't have time to be ill," she says.

She has learned to concentrate on no more than a handful of projects at any one time. Nor does she try to do everything herself. Concurrently, she may have up to 10 freelance tour managers out handling groups. She also employs a full-time administrative manager and, when necessary, a temporary manager. "You have to spend money to make money. I get someone in to get the backlog of my shoulders so I can move forwards," she says.

To distinguish her business from the 60 or so other destination management companies in London, Ms Cameron makes a specialty of the Afro-American market in the US.

She recognised the potential of this market when working as a tour director for American groups holidaying in Britain and decided to set up in business on her own. She found that black Americans were pleased to be greeted by a fellow black American, were surprised to find their ethnic culture in Britain and wanted to know more about it. "I was reorganising their London schedules, taking them to see black theatre companies, restaurants and art galleries."

Black Americans also appeared to have more disposable income than their white counterparts and Ms Cameron's commission rates went up by an average 20 per cent. "I realised this was a market which needed catering for," she says. Attracting business from America involves frequent

trips there to build links and promote the company. She has an associate company, Windsor Travel in Los Angeles, and agents on the East Coast. She tries to keep each trip to just one week. "They're an expensive overhead and one I'd like to cut back a little," she says.

She gained initial funding from the Enterprise Allowance Scheme as well as a cash injection of £5,000 from her co-director Mr John Conran. The first year turnover came to £38,000, allowing the company to break-even.

Ms Cameron is a member of the Inter-American Travel Agents Society (ITAS), a US national organisation for black-owned and operated travel agencies. She persuaded it to hold its 1988 conference in London, at the same time showing the agents the "alternative" ethnic London which their clients could enjoy.

She is also a member, by invitation, of two US black associations - the National Association of Black and Minority Chambers of Commerce and the National Coalition of Black Meeting Planners. Through membership of these organisations, she hopes she can encourage more of the black convention and incentive travel market to hold its events in the UK.

Ironically, although targeting the American market, 60 per cent of her first year turnover came from the UK with approaches from companies which had heard of Ebony and Ivory Tours by word of mouth. "I find we've diversified quite a bit and keeping on track is difficult," she says. She would like to see 60 per cent of turnover come from the US because in the long term, "that will be the most profitable business."

"The main thing is being decisive enough so you control the business and it doesn't control you"

Although Ms Cameron admits that "the areas we initially intended to cover have changed quite a lot," part of that has been in response to market conditions. High US interest rates are causing some would-be travellers to stay at home. In an attempt to gain more business out of a depressed market and to improve cash flow, Ebony and Ivory Tours has just launched an individual travellers package. Flexibility, she

believes, is important, though "the main thing is being decisive enough so you control the business and it doesn't control you."

Since all prices are quoted and paid in sterling, to date the company has not suffered from fluctuating exchange rates between the dollar and sterling. However, "to lessen sales resistance," the individual travellers package is quoted and paid in dollars. Ms Cameron realises that the company is now vulnerable to swings in exchange rates.

Before setting up Ebony and Ivory Tours, she attended training courses in accountancy, selling and negotiating and is about to go to a seminar for women on how to deal with business meetings and businessmen who, she finds, are "more aggressive". While the courses have helped, she says the job is "a constant learning curve. For example, I've found it takes at least two years to get a tour package off the ground. The first year you find out what does and doesn't work and then refine it for the second year. Then word mouth recommendations start coming in."

Learning by experience can be detrimental to the business, as Ms Cameron found with her marketing programme. "I thought the autumn was a good time to do it last year but it was too late and I missed some tours. I'm now marketing for 1991 and have already got some bookings."

Image and the ability to make a good impression are all-important in the travel business. Ms Cameron has not found that working from her London home has been a handicap, though she does try to organise meetings in hotels where prospective clients can view the facilities. She is, however, hoping to move to office premises at the end of her second year.

The unusual nature of her business and her abilities has not gone unnoticed. Her company recently won the National Westminster Prize for Enterprise for the London region and came second in the national finals, gaining a cash injection of £4,000. Ms Cameron has also just been named International African-American Business Woman of the Year by Dollars and Sense, a national US publication.

Hester Thomas

ENTERPRISE AGENCIES

Grassroots need for advice

MANCHESTER Business Venture, the enterprise agency which is housed in the same offices as the north-west's biggest chamber of commerce, has adopted an outreach approach to stimulating small business growth in the inner city.

Five months ago it opened a branch office in the Cheetham Hill area, which has Manchester's broadest ethnic mix. The idea was to make advice and counselling more accessible to some of the people who might need it most. Has it proved justified?

The branch office is a shop-front and the £35,000 that the experiment will cost in the first two years has come from the Government's local city action team, Manchester City Council and the private sector.

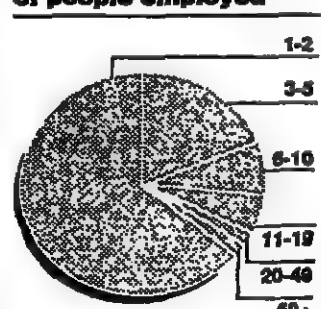
Mr Mike Davis, a partner with Ernst & Young who is the agency's chairman, says that so far Cheetham Hill has handled nearly 100 serious consultations, many of them from people who would have not otherwise come forward.

He thinks it shows the continuing need for the agencies at grassroots level. On such evidence, anyone who thinks they have run their course and should evolve into something else is almost certainly wrong. The agencies first appeared in the late 1970s to advise people on how to start, run and grow small businesses. They were a "bottom-up" initiative, responding to demand from would-be entrepreneurs who had nowhere else to turn. The Government eventually embraced them and promoted

UK BUSINESS REGISTRATIONS Figures in thousands				
Registrations	Deregistrations	Net change	Stock at end of year	
1980	158	142	16	1,305
1981	152	120	32	1,337
1982	142	145	21	1,357
1983	180	145	35	1,392
1984	182	152	30	1,422
1985	182	163	19	1,441
1986	191	184	27	1,468
1987	208	167	42	1,510
1988	230	168	64	1,574
1989-90	1,650	1,365	285	1,574

Source: Department of Employment

UK Businesses: number of people employed



Source: Dept of Employment

ing bureaucracy and a dependent culture are seen as only different in degree from those in Britain about 12 years ago, when the rate of self-employment had fallen to only 9 per cent of the workforce and the business world generally was geared to smooth relations between government, big employers and trade unions. It is access to working capital and advice that many east Europeans see as their prime needs to encourage small and growing businesses. In Britain, the two came from a more relaxed attitude towards business lending by the clearing banks and the parallel development of enterprise agencies to ensure that borrowers always had a helping hand within reach.

The network of agencies has now started to enter an important second phase of evolution. This is concerned with achieving national standards of consistency in the way they work, as well as ensuring that services are not needlessly duplicated.

The arrival of training and enterprise councils (Tecs) is influencing this, since they will have the power to contract out enterprise training and the agencies will in most cases be among the obvious candidates to bid for it, earning income in the process.

Last month therefore saw national quality control reaching the agencies, with one awarded a BS5750 certificate

and another gaining a new type of accreditation charter being pioneered by BIC. BIC's scheme is being backed by the clearing banks because they see it helping them assess risk. If the quality of the agencies' counselling is assured, the banks can trust the agencies' evaluations of the business plans brought to them by small businesses.

Mr Brian Crangle, chief executive of DonBAC, the Doncaster agency which has got BS5750 approval from the British Standards Institution, says that it is also going to help him sell training services via courses, seminars and consultancy to the local Tec.

The Institution checked the agency's counselling manuals and procedures for consistency and quality, and then registered DonBAC as a quality assured organisation for a fee of £2,500, which was paid by sponsor company John Carr, a member of the Rugby Group. DonBAC is now selling its manuals to other agencies at

The network is trying to achieve national standards of consistency

£250 a time, including a day's consultancy by Mr Eric Marshall, a former quality assurance manager with British Rail, who was seconded to the agency to help pilot it through the recognition process.

However, there is some worry at BIC in case a rush for BS5750 causes confusion with BIC's own quality accreditation charter.

Mr Tim Walby of BIC sees BS5750 as a "gold card route" which all agencies may not need. He says that counselling is the central and critical feature of every agency and that getting that right is paramount.

"Our charter is pretty basic stuff, but it is trying to set common standards through the country," he says. The charter promises small

business clients a combination of competence and ethical practice, with monitoring of the performance and capabilities of counsellors, as well as of the agency itself. It also embodies a need for appropriate guarantees of professional indemnity insurance, so that clients do have some sort of comeback if the need arises.

Standards are checked by assessors, such as large firms of accountants, who carry out a non-financial audit of what any agency can do and how well and consistently it does it from case to case, as well as compared with its counterparts. The agencies pay £250 for the assessment, with the balance of professional fees involved provided by the clearing banks backing the scheme. Each BIC's regional director will also make a general assessment of each local agency in his or her area.

Meanwhile, Merseyside's nine enterprise agencies have embarked on another experiment by launching their own umbrella organisation, Mentor. The idea is to help ease confusion among clients and sponsors and to sort out gaps and overlaps in services.

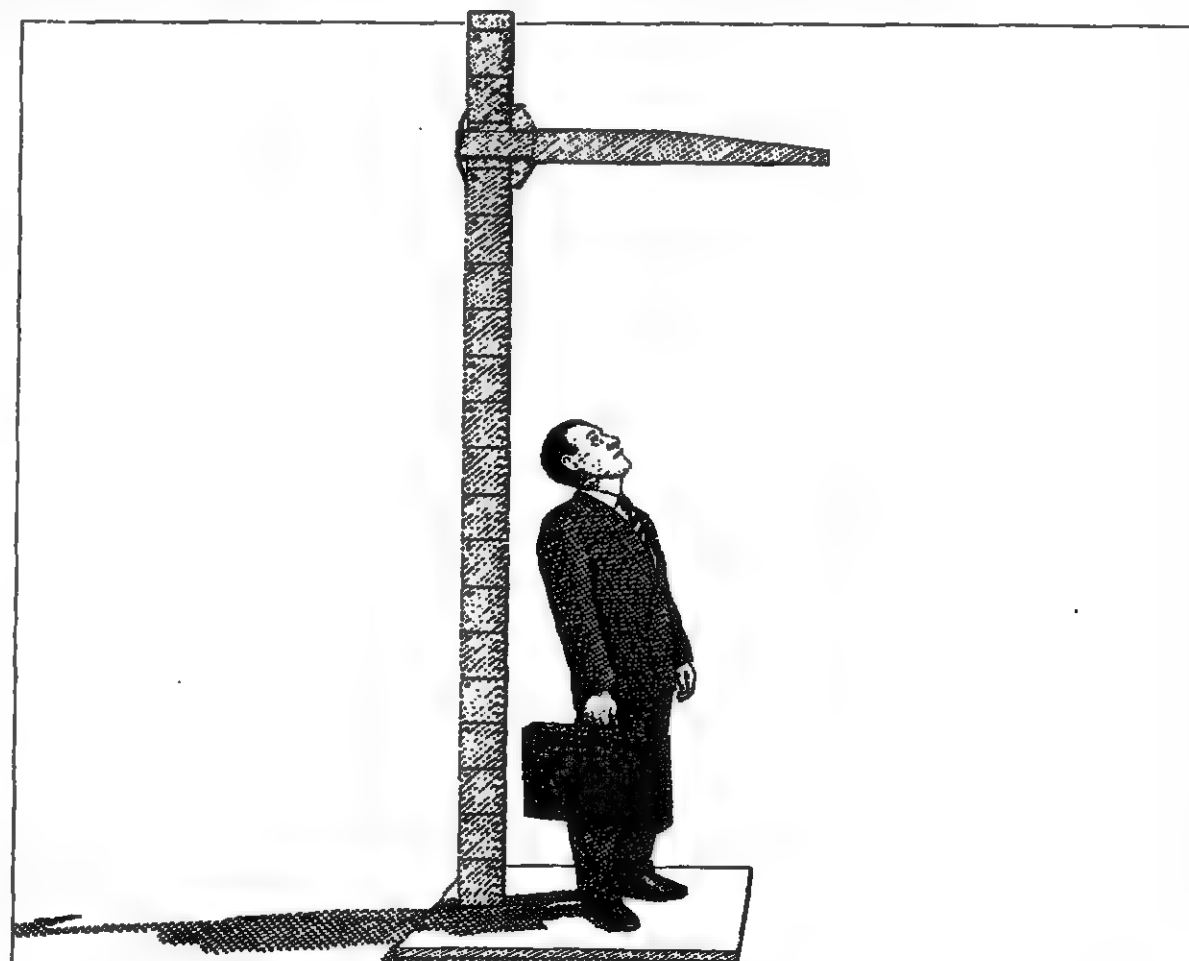
The Government's Action for Cities programme is paying half of the £65,000 first-year running costs. IBM and Barclays funded an initial study of how to solve the problems and Mentor's other supporters now include United Biscuits, and Lloyds, Midland and NatWest banks. BAT and Royal Insurance are seconding full-time staff and Mersey Docks and Harbour Company is providing offices.

The scale of private sector support indicates the seriousness with which the experiment is being taken. Mentor's chairman Mr Bill Appleton, a former senior partner with Deloitte Haskins & Sells, says that the agencies' role is especially crucial in economically difficult regions.

Merseyside, for example, still has pockets of more than 30 per cent unemployment and in some areas self-employment accounts for only 4.5 per cent of jobs.

Indeed, since self-employment accounts for 16 per cent of European Community's working population but is still only 12 per cent in Britain, many would say that this indicates a continuing grassroots need for advice. More branch offices like Cheetham Hill's may be one answer.

Ian Hamilton Fozzy



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GROWING BUSINESSES 4

Roderick Oram in New York (left) and Haig Simonian in Milan (right) look at how small companies get bigger in the US and Italy

Cult of the entrepreneur

FOR THE US, the 1980s was the decade of the entrepreneur. Some 7m businesses, many of them small, were created during one of the longest periods of economic expansion in the nation's history.

The surge was "an affirmation of the US's entrepreneurial culture," says Mr Tom Grey, chief economist of the Federal Government's Small Business Administration.

"There's much greater public awareness that entrepreneurship has created almost all the growth in the US in the past decade," adds Mr Dan Garner, national director of entrepreneurial services at Ernst & Young, the accountants and management consultants. "It is no longer a stigma to be an entrepreneur, as it was sometimes in the past in the US."

The US is probably better equipped to nurture new companies than most other countries. Its prosperous economic system means, for example, people starting companies can tap large pools of capital ranging from personal savings and private investment funds to banks and public markets.

Perhaps psychological factors are important. "People are encouraged to try new things, to innovate. If you make a mistake, just try something different," Mr Garner says.

Even the bankruptcy of a business is often no bar to an entrepreneur getting a chance to build another. "Many people in the venture capital community consider bankruptcy a positive, not a negative, if you have learnt from your mistakes," he adds.

What determines whether a newly formed small business succeeds or fails? Long hours, hard work and good service were some predictable factors uncovered by the National Federation of Independent Business in the first nationwide

research project on the subject, published last October.

The fate of some 3,000 small businesses started in the mid-1980s was scrutinised. Overall, 77 per cent survived during the three-year study. But there was a slightly higher survival rate for companies whose owner-manager worked 60 to 69 hours a week and a lower rate for those who worked shorter — or longer — hours.

Start-up capital was \$20,000 or less in 50 per cent of the cases and more than \$100,000 in only just over 10 per cent of the companies. In general, higher capital meant a somewhat better chance of survival.

About 25 per cent of the capital came from the entrepreneur's personal resources, another 25 per cent from their friends and family and 45 per cent from lending institutions such as banks. Outside investors helped only one in 10. There was negligible use of institutionalised venture capital or government programmes to help finance start-ups.

Growth in early years was financed largely by retained earnings although outside sources such as trade credit and bank borrowing became more important as the companies established track records.

Advice for both new and established small companies is readily available from the accounting and consulting professions. On the government side, state and local agencies have been taking a more active role in helping small business in the past five years. The federal government has been less involved. In fact, President Reagan made two attempts to disband the Federal Small Business Administration.

"In general, the rationale for supporting small business is clearer to governments now than before," says the SBA's Mr Grey. "Programmes take

every form you can think of."

Making it easier for companies to get help has been a dominant trend. Many local and state governments are developing "one stop" centres where entrepreneurs can get all they need, from licences to market information and professional guidance.

More emphasis on exports is one area that many government bodies are pushing. Small businesses already account for some 20 per cent of US exports but there appears plenty of potential for growth. In some cases companies must export because theirs is a small but truly global market. Rather than tackle the complexities of international trade alone, many seek joint venture partners abroad or try to license foreign production.

More government bodies are also getting involved in financing small business. Actions range from the indirect and passive such as tax breaks to more active such as helping to establish venture capital funds. Letting state employee pension funds hold loans or stakes in small companies is an important psychological and practical step that some states have taken in recent years.

For all the activity at the local level, the federal government remains involved in small business through the SBA. It is seeking from Congress, for example, a 15 to 20 per cent increase in its funding for small business loans, typically to established companies, in the coming fiscal year.

But overall it is an agency with poor morale and uncertain sense of its role. Tackling those ills has been the prime goal of Ms Susan Engelke, its head for just over a year. A young Republican politician from Wisconsin, she has won some support from small business organisations which feel

she understands their needs.

Translating them into proposals and winning the political battles necessary to turn them into programmes has proved harder. One problem has been the slowness of the White House in coming up with a nominee for the post of general counsel in the agency's advocacy office. The post is a key one for lobbying Congress.

But whatever the particular strengths or concerns of the US small business sector, many factors are common to those in other countries, says Mr Doug McLaughlin, marketing director of the National Federation of Independent Business.

While visiting a British small business organisation several years ago, he concluded that "a small business person is a small business person wherever you go. Close your eyes, take away the accents and the concerns, problems and gripes are the same."

IF West Germany's *Mittelstand* (small business sector) is the backbone of that country's economy, then small and medium-sized businesses constitute by far the bulk of the Italian body economic.

Not only do small and medium-sized enterprises account for a high proportion of the country's gross national product, but they are largely responsible for its famed flexibility and speed of response. A recent survey found that over 95 per cent of the 130,000 members of Confindustria, the Italian employers' federation, are small businesses, while the sector accounts for over 90 per cent of employment in the country's manufacturing and service industries.

However, even in Italy, small business has its problems. Red tape makes setting up a company something of an endurance test; high interest rates have made borrowing dear;

and while inflation is now on the wane, the current rate of around 6 per cent is well above that in France and Germany.

And the current strength of the lira in the European Monetary System presents exporters with a key element in the Italian small business picture — with a new challenge.

Despite the devaluation as part of last January's measures, which took the lira into the narrow 225 per cent EMS cent before, Italy's currency has been buoyed since then by the country's relatively high interest rates. Along with greater international confidence in domestic economic management, the lira has had a tonic. Its strength against non-EMS currencies has been even more striking, with a climb of over 20 per cent against the yen.

The inter-relationship between small business and foreign markets is often illustrated in the wealthy North Italian provinces of Bergamo, the biggest employer, *Italcementi*, has 3,573 staff. By contrast, most of the companies which contribute to Bergamo's wealth have fewer than 200 employees. Yet, together, such small enterprises managed to export no less than 50 per cent of the goods they produced.

Getting to grips with the mass of small and medium-sized companies which constitute the sector is not always easy. Seldom is the problem more evident than for the foreign acquirer or merchant bank trying to develop its activities in Italy.

While the image of rampant tax evasion may be exaggerated, the fact remains that an analysis of many small companies' "official" books may reveal less than the truth. Reconciling the gap between a company's declared sales and

those actually claimed by its owners is one of many problems faced by the growing number of specialist financial advisers trying to gain new business in the small company sector.

For the rate of concentration has been gathering pace as the first post-war generation of Italian entrepreneurs has retired or died off and heirs have not always been interested in carrying on the business. The process has triggered not only growing interest in management buy-outs of former family firms, but also greater rationalisation within industrial sectors.

The importance of foreign markets, greater awareness of the role of advertising and promotion, and increasing producer responsibility for product liability, have all encouraged concentration. And even where small businesses have not wanted to sell out, there has been a marked growth in the number of *consorzi* (consortia), which group a number of businesses in the same sector in a given region.

The tendency has been encouraged by local chambers of commerce. By allying themselves for specific purposes like marketing or joint representation at expensive foreign trade fairs, small local companies have been able to exploit certain economies of scale without losing their independence.

Although this year has brought welcome news on interest rates, which are likely to remain stable, it has not fallen further, there has been a nasty surprise in the Government's decision to extend the provisions of employee protection law to companies with fewer than 16 workers, which were previously excluded.

That has caused an outcry among many smaller businesses, which have complained

that the new ruling will burden them with substantial extra costs as they lose the flexibility to trim workforces at will or fire staff who are not performing to standard.

Meanwhile, skills shortages are becoming increasingly apparent for some firms, especially in the buoyant north. Unemployment in the neighbouring provinces of Bergamo and Milan is currently 4 per cent, and just 7 per cent for the Lombardy region as a whole.

That means that local companies are finding it more difficult to find qualified staff irrespective of their size. With Italian wage costs already rising appreciably faster than in the main competing markets of France and Germany, Italian entrepreneurs are becoming concerned about losing competitiveness.

Addressing Confindustria's small business panel on June 20, Mr Sergio Pininfarina, the federation's chairman, highlighted declining competitiveness as the biggest challenge for Italian business at present. Unit labour costs in Italy rose 7.7 per cent last year, against 4.5 per cent in the UK, 2.4 per cent in France and zero in Germany. The trend has continued in the opening months of this year, with a 1 per cent loss of competitiveness against the European Community as a whole and 2 per cent against Germany, he said.

With the latest EMS move, the pressure "has further increased, as Rome has been robbed of its traditional recourse of letting the lira slide. As a result, employers are looking to wage restraint to help them overcome their difficulties. But, as warnings shots have already shown, it could be a hot summer ahead on the labour front, from which small businesses may not escape unscathed."



Ian Hamilton Fazey on where to turn for help

A way through the maze

HELP FOR small and growing businesses is itself a problem. There is a lot of it and this alone stops some people even bothering to look. How then to find a way through the maze?

Enterprise agencies remain the best starting point. The first were set up 12 years ago and because would-be entrepreneurs had nowhere to turn to for advice on how to set up a small business.

Although the role of the agencies is still developing and many have to sort out their relations with the new training and enterprise councils (TECs), they are central to the provision of help and advice.

One characteristic all agencies share is that they are part of the informal network of professional services and advice into which small businesses can tap. Accountants, solicitors and bank managers all know them, as do local authority industrial development officers and civil servants.

They are therefore one of the best ways to get into the network. Most are able to take the legwork and brainwork out of searching for where to go for the best advice, saving time and worry for small business people wondering whether they are on the right track.

Of course, the network can be tapped anywhere. Many small businesses will naturally turn to their accountant as a starting point and the institution of Chartered Accountants wishes more would do so.

The point the institution makes is that accountants acting for small businesses are professional advisers who — because they are paid by the businesses which use them — are ethically bound to do their best in their clients' interests.

This may not coincide with the interest of the other person to whom many small businesses naturally turn — their bank manager. Bank managers are nowadays well trained in the needs of small businesses but there is a natural conflict of interest if their bank is the main lender of working capital to the person seeking advice, if that person is in trouble.

One highly experienced venture capitalist in northern England says that the banks are now panicking about what an economic downturn might do to them if too many businesses fail. Overdrafts are being restricted or even called in. He believes that the banks' own creation of business centres within large branches may have worsened things because all the gloom has been clustered, compounding pessimism.

An admission of trouble or the whiff of it may therefore not be the best news to give a bank manager about a small business client. Professional neutrality, available from an enterprise agency, an accountant or a consultant, is recommended by the professionals: they can take solutions, or prospects of them, to bank managers, not just problems.

That applies in emergencies, of course. But all small businesses taking a longer view of where they are going should

consider the Government's enterprise initiative, a series of subsidised consultancy packages promoted by the Department of Trade and Industry.

The consultancies cover areas such as marketing, design, business planning, information technology and financial planning, which is usually concerned with taxation advice.

The DTI has set up a network of regional centres providing information about the enterprise initiative. These can be approached directly, though agencies will refer clients if appropriate.

There are fees to pay for consultancy, which may last between a minimum of five days and a maximum of 15 days, but since the subsidy is approved only if the consultancy is likely to be of value, the expenditure should pay for itself eventually.

Businesses in special development areas with high unemployment pay only one-third of the consultancy fees while those elsewhere pay half. A typical unsubsidised rate is £325 a day, which is at the low end of the range of fees that consultants charge at present.

However, since the enterprise initiative now accounts for about 15 per cent of the consultancy market, this gives the DTI enormous buying power, which it has used informally to keep prices generally down to this sort of level.

Enterprise agencies might also recommend clients to regional economic development agencies and/or venture capital funds such as Lancashire Enterprises, Yorkshire Enterprise, or the Northern Development Company (NDC) if they fitted needs too.

Bodies such as the NDC have formed "federations" for particular industrial sectors to bring small business and big business together and promote more local buying of goods, components and services.

One federation is for computer software and another for the offshore industry. At the same time, the NDC has set up a procurement office to help small businesses bid for government contracts.

Local authorities also remain

a source of information and help for small businesses, especially as regards premises and also over special grants and incentives; they may offer to people moving into their area and creating jobs. Town hall industrial development offices are always worth trying.

For example, Manchester, Salford and Trafford — parts of which comprise the Greater Manchester inner city — have just launched a soft loans fund, worth up to £25,000 a time, with British Coal Enterprise (BCE) and the Government's local city action team. Proposals are filtered by any of the three local enterprise agencies in the area, so applicants who have not been to them first will be referred back to them.

BCE, which can help anyone wanting to operate in coal closure areas (and not just redundant miners) is itself worth asking for details of what help may be available, as is British Steel (Industry), which does a similar job in steel closure areas. Their respective headquarters are in Nottingham and Sheffield. Chambers of commerce are also worth approaching for help and advice. Some house the local enterprise agency, and all maintain good information about local regions.

In addition, the Government's own Small Firms Service, which is part of the Department of Employment rather than the DTI, is still alive and kicking. There may well be duplication and confusion between its work and that of other agencies, but the service is there to be used, and exploited. It too is a participant in the BCE loans scheme in the Manchester conurbation's inner city, for example.

Useful telephone numbers: Business in the Community: 01-263 3716 for your nearest enterprise agency.

Rural Development Commission: 0722-336255 for advice about operating in the countryside.

Northern Development Company: 091-261 0026. Operation Livewire: 091-261 5584; helps people under 25 into small business.

Small Firms Service: 0800 222999.

Can your business manage without you?

YES ☐ NO ☐

(It better had)

Your business is a success. It's growing. You're getting more orders, taking on more people, investing in more equipment, thinking of moving to bigger premises. Understandably, you're busy.

My time is too valuable to waste on questionnaires like this. YES ☐ NO ☐

Well, someone's got to keep all those balls in the air: marketing, production, finance, planning, staff and their morale. No wonder you get to put the cat out most nights.

My people expect me to be first here and last away. YES ☐ NO ☐

Naturally. Without your blood, sweat and tears your business wouldn't be what it is today. But within the very success of your enterprise could lie the germs of potential disaster. The more your business grows, the more complex becomes every single aspect of its operations. Take marketing.

I know the market inside out. YES ☐ NO ☐

But do you really know what your competitors are up to? How is your pricing policy affecting market share?

Will your new product development programme be appropriate for the Single Market?

All right. All right. I'm only human. YES ☐ NO ☐

However well you know your business; however much you trust your own judgement; however much you may modestly consider yourself to be indispensable, there are always going to be areas where you need specialist support. Which is where we come in: Coopers & Lybrand Deloitte.

Hang around. Did I say I needed one of Britain's leading firms of accountants and management consultants? YES ☐ NO ☐

Maybe you didn't. But yours is exactly the sort of business we're interested in.

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Coopers & Lybrand Deloitte

Solutions for Business

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Aluminum	41.11	46.31	49.12	41425
Asphalt	41.11	46.31	49.12	41425
Automotive	41.11	46.31	49.12	41425
Chemicals	41.11	46.31	49.12	41425
Construction	41.11	46.31	49.12	41425
Electronics	41.11	46.31	49.12	41425
Food	41.11	46.31	49.12	41425
Healthcare	41.11	46.31	49.12	41425
Industrial Tech	41.11	46.31	49.12	41425
Insurance	41.11	46.31	49.12	41425
Media	41.11	46.31	49.12	41425
Metals	41.11	46.31	49.12	41425
Oil & Gas	41.11	46.31	49.12	41425
Pharmaceuticals	41.11	46.31	49.12	41425
Real Estate	41.11	46.31	49.12	41425
Services	41.11	46.31	49.12	41425
Software	41.11	46.31	49.12	41425
Telecommunications	41.11	46.31	49.12	41425
Transportation	41.11	46.31	49.12	41425
Utilities	41.11	46.31	49.12	41425
Waste Management	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Financial Services	41.11	46.31	49.12	41425
Banking	41.11	46.31	49.12	41425
Capital Markets	41.11	46.31	49.12	41425
Insurance	41.11	46.31	49.12	41425
Investment Management	41.11	46.31	49.12	41425
Real Estate	41.11	46.31	49.12	41425
Securities	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Healthcare	41.11	46.31	49.12	41425
Biotechnology	41.11	46.31	49.12	41425
Medical Devices	41.11	46.31	49.12	41425
Pharmaceuticals	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Technology	41.11	46.31	49.12	41425
Artificial Intelligence	41.11	46.31	49.12	41425
Cybersecurity	41.11	46.31	49.12	41425
Cloud Computing	41.11	46.31	49.12	41425
Data Analytics	41.11	46.31	49.12	41425
Software Development	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Energy	41.11	46.31	49.12	41425
Oil & Gas	41.11	46.31	49.12	41425
Renewable Energy	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Consumer Goods	41.11	46.31	49.12	41425
Food & Beverage	41.11	46.31	49.12	41425
Personal Care	41.11	46.31	49.12	41425
Textiles	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Industrial	41.11	46.31	49.12	41425
Automotive	41.11	46.31	49.12	41425
Chemicals	41.11	46.31	49.12	41425
Electronics	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Real Estate	41.11	46.31	49.12	41425
Commercial Real Estate	41.11	46.31	49.12	41425
Residential Real Estate	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Telecommunications	41.11	46.31	49.12	41425
Mobile Communications	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425
Utilities	41.11	46.31	49.12	41425
Electric	41.11	46.31	49.12	41425
Gas	41.11	46.31	49.12	41425
Water	41.11	46.31	49.12	41425
Other	41.11	46.31	49.12	41425

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Company Name	Share Price	Dividend	Yield	Market Cap	Volume	Change
Harwich Union Life Insurance Co. Ltd.	100.00	5.00	5.00%	100M	1000	+0.50
Prudential Capital Life Ass. Co. Ltd.	120.00	6.00	5.00%	120M	1200	+0.50
Royal Life Insurance Ltd.	150.00	7.50	5.00%	150M	1500	+0.50
Skandia Life Assurance Co. Ltd.	180.00	9.00	5.00%	180M	1800	+0.50
Sun Alliance Group-Cont.	200.00	10.00	5.00%	200M	2000	+0.50
Windsor Life Assur Co. Ltd.	220.00	11.00	5.00%	220M	2200	+0.50
Sun Alliance International Ltd.	250.00	12.50	5.00%	250M	2500	+0.50
Target International Group	280.00	14.00	5.00%	280M	2800	+0.50
Guernsey Investment Services Ltd.	300.00	15.00	5.00%	300M	3000	+0.50
Guernsey Investment Services Ltd.	320.00	16.00	5.00%	320M	3200	+0.50
Guernsey Investment Services Ltd.	350.00	17.50	5.00%	350M	3500	+0.50
Guernsey Investment Services Ltd.	380.00	19.00	5.00%	380M	3800	+0.50
Guernsey Investment Services Ltd.	400.00	20.00	5.00%	400M	4000	+0.50
Guernsey Investment Services Ltd.	420.00	21.00	5.00%	420M	4200	+0.50
Guernsey Investment Services Ltd.	450.00	22.50	5.00%	450M	4500	+0.50
Guernsey Investment Services Ltd.	480.00	24.00	5.00%	480M	4800	+0.50
Guernsey Investment Services Ltd.	500.00	25.00	5.00%	500M	5000	+0.50
Guernsey Investment Services Ltd.	520.00	26.00	5.00%	520M	5200	+0.50
Guernsey Investment Services Ltd.	550.00	27.50	5.00%	550M	5500	+0.50
Guernsey Investment Services Ltd.	580.00	29.00	5.00%	580M	5800	+0.50
Guernsey Investment Services Ltd.	600.00	30.00	5.00%	600M	6000	+0.50
Guernsey Investment Services Ltd.	620.00	31.00	5.00%	620M	6200	+0.50
Guernsey Investment Services Ltd.	650.00	32.50	5.00%	650M	6500	+0.50
Guernsey Investment Services Ltd.	680.00	34.00	5.00%	680M	6800	+0.50
Guernsey Investment Services Ltd.	700.00	35.00	5.00%	700M	7000	+0.50
Guernsey Investment Services Ltd.	720.00	36.00	5.00%	720M	7200	+0.50
Guernsey Investment Services Ltd.	750.00	37.50	5.00%	750M	7500	+0.50
Guernsey Investment Services Ltd.	780.00	39.00	5.00%	780M	7800	+0.50
Guernsey Investment Services Ltd.	800.00	40.00	5.00%	800M	8000	+0.50
Guernsey Investment Services Ltd.	820.00	41.00	5.00%	820M	8200	+0.50
Guernsey Investment Services Ltd.	850.00	42.50	5.00%	850M	8500	+0.50
Guernsey Investment Services Ltd.	880.00	44.00	5.00%	880M	8800	+0.50
Guernsey Investment Services Ltd.	900.00	45.00	5.00%	900M	9000	+0.50
Guernsey Investment Services Ltd.	920.00	46.00	5.00%	920M	9200	+0.50
Guernsey Investment Services Ltd.	950.00	47.50	5.00%	950M	9500	+0.50
Guernsey Investment Services Ltd.	980.00	49.00	5.00%	980M	9800	+0.50
Guernsey Investment Services Ltd.	1000.00	50.00	5.00%	1000M	10000	+0.50

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DAY JULY 23 1990

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

A difficult hand

The interest rate picture in Europe is something of a tangled web. France would like to cut rates; but it is not fundamentally weak, but it is at the bottom of the EMS exchange rate mechanism, and a French cut would be regarded as an unfriendly act by Spain.

The Spanish authorities, meanwhile, are wrestling with a peseta trying to

break through the top of the EMS. But Spain is not in a position to reduce rates because of its high inflation and strong economic growth.

The Dutch helped last week by pushing market rates higher in Amsterdam, but the strongest case is held by the Bundesbank, although it is not an easy hand to play. West German money supply growth at the bottom of its target range does not point to higher

POUND SPOT - FORWARD AGAINST THE POUND

Day's Spot	Close	One month	Three months	Six months
Jul 20	1.8110	1.8110	1.8110	1.8110
US	1.8110	1.8110	1.8110	1.8110
Canada	1.8110	1.8110	1.8110	1.8110
Switzerland	1.8110	1.8110	1.8110	1.8110
France	1.8110	1.8110	1.8110	1.8110
Italy	1.8110	1.8110	1.8110	1.8110
Spain	1.8110	1.8110	1.8110	1.8110
Japan	1.8110	1.8110	1.8110	1.8110
UK	1.8110	1.8110	1.8110	1.8110

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Day's Spot	Close	One month	Three months	Six months
Jul 20	1.8110	1.8110	1.8110	1.8110
US	1.8110	1.8110	1.8110	1.8110
Canada	1.8110	1.8110	1.8110	1.8110
Switzerland	1.8110	1.8110	1.8110	1.8110
France	1.8110	1.8110	1.8110	1.8110
Italy	1.8110	1.8110	1.8110	1.8110
Spain	1.8110	1.8110	1.8110	1.8110
Japan	1.8110	1.8110	1.8110	1.8110
UK	1.8110	1.8110	1.8110	1.8110

EXCHANGE CROSS RATES

July 20	£	US	DM	Yen	FF	Sfr	NT	Lira	C\$	Dr
£	1.0000	1.8110	2.9365	163.33	163.33	163.33	163.33	163.33	163.33	163.33
US	0.5521	1.0000	1.6537	93.47	93.47	93.47	93.47	93.47	93.47	93.47
DM	0.3409	0.6000	1.0000	54.36	54.36	54.36	54.36	54.36	54.36	54.36
Yen	0.0061	0.0107	0.0184	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
FF	0.0156	0.0260	0.0455	0.0062	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Sfr	0.0075	0.0127	0.0228	0.0037	0.0062	1.0000	1.0000	1.0000	1.0000	1.0000
NT	0.0025	0.0041	0.0074	0.0012	0.0021	0.0037	1.0000	1.0000	1.0000	1.0000
Lira	0.0001	0.0002	0.0004	0.0001	0.0001	0.0001	0.0001	1.0000	1.0000	1.0000
C\$	0.7000	1.0000	1.3333	70.00	70.00	70.00	70.00	70.00	1.0000	1.0000
Dr	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000

EURO-CURRENCY INTEREST RATES

July 20	Short	7 Days	One Month	Three Months	Six Months	One Year
£	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
US	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
DM	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Yen	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
FF	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Sfr	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
NT	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Lira	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
C\$	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Dr	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2

FT LONDON INTERBANK FIXING

July 20	Overnight	One Month	Three Months	Six Months	One Year
£	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
US	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
DM	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Yen	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
FF	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Sfr	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
NT	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Lira	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
C\$	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Dr	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2

MONEY RATES

NEW YORK	July 20	Overnight	One Month	Three Months	Six Months	One Year
£	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
US	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
DM	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Yen	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
FF	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Sfr	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
NT	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Lira	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
C\$	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Dr	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2

LONDON MONEY RATES

July 20	Overnight	One Month	Three Months	Six Months	One Year
£	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
US	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
DM	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Yen	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
FF	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Sfr	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
NT	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Lira	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
C\$	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2
Dr	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2	10-14 1/2

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries	Friday July 20 1990	Thursday July 19 1990	Dollar Index
US	148.91	148.91	100.00
UK	148.91	148.91	100.00
DM	148.91	148.91	100.00
Yen	148.91	148.91	100.00
FF	148.91	148.91	100.00
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BANKS, HP & LEASING

Stock	Price	Week	Month	Year	Dividend	Yield	Expiry
124 Bank of Scotland	224	1.8	2.5	1.2	1.2	5.4	Jul 91
125 Bank of Ireland	112	1.5	2.2	1.1	1.1	5.4	Jul 91
126 Bank of Wales	112	1.5	2.2	1.1	1.1	5.4	Jul 91
127 Bank of Cyprus	112	1.5	2.2	1.1	1.1	5.4	Jul 91
128 Bank of Greece	112	1.5	2.2	1.1	1.1	5.4	Jul 91
129 Bank of Spain	112	1.5	2.2	1.1	1.1	5.4	Jul 91
130 Bank of Portugal	112	1.5	2.2	1.1	1.1	5.4	Jul 91
131 Bank of France	112	1.5	2.2	1.1	1.1	5.4	Jul 91
132 Bank of Italy	112	1.5	2.2	1.1	1.1	5.4	Jul 91
133 Bank of Germany	112	1.5	2.2	1.1	1.1	5.4	Jul 91
134 Bank of Netherlands	112	1.5	2.2	1.1	1.1	5.4	Jul 91
135 Bank of Belgium	112	1.5	2.2	1.1	1.1	5.4	Jul 91
136 Bank of Luxembourg	112	1.5	2.2	1.1	1.1	5.4	Jul 91
137 Bank of Switzerland	112	1.5	2.2	1.1	1.1	5.4	Jul 91
138 Bank of Austria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
139 Bank of Czech Republic	112	1.5	2.2	1.1	1.1	5.4	Jul 91
140 Bank of Slovakia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
141 Bank of Hungary	112	1.5	2.2	1.1	1.1	5.4	Jul 91
142 Bank of Poland	112	1.5	2.2	1.1	1.1	5.4	Jul 91
143 Bank of Czechia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
144 Bank of Slovenia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
145 Bank of Croatia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
146 Bank of Serbia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
147 Bank of Montenegro	112	1.5	2.2	1.1	1.1	5.4	Jul 91
148 Bank of Bosnia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
149 Bank of Herzegovina	112	1.5	2.2	1.1	1.1	5.4	Jul 91
150 Bank of Macedonia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
151 Bank of Bulgaria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
152 Bank of Romania	112	1.5	2.2	1.1	1.1	5.4	Jul 91
153 Bank of Greece	112	1.5	2.2	1.1	1.1	5.4	Jul 91
154 Bank of Turkey	112	1.5	2.2	1.1	1.1	5.4	Jul 91
155 Bank of Iran	112	1.5	2.2	1.1	1.1	5.4	Jul 91
156 Bank of Iraq	112	1.5	2.2	1.1	1.1	5.4	Jul 91
157 Bank of Kuwait	112	1.5	2.2	1.1	1.1	5.4	Jul 91
158 Bank of Saudi Arabia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
159 Bank of Qatar	112	1.5	2.2	1.1	1.1	5.4	Jul 91
160 Bank of Bahrain	112	1.5	2.2	1.1	1.1	5.4	Jul 91
161 Bank of Oman	112	1.5	2.2	1.1	1.1	5.4	Jul 91
162 Bank of Yemen	112	1.5	2.2	1.1	1.1	5.4	Jul 91
163 Bank of Egypt	112	1.5	2.2	1.1	1.1	5.4	Jul 91
164 Bank of Libya	112	1.5	2.2	1.1	1.1	5.4	Jul 91
165 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
166 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
167 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
168 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
169 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
170 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
171 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
172 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
173 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
174 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
175 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
176 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
177 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
178 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
179 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
180 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
181 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
182 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
183 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
184 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
185 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
186 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
187 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
188 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
189 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
190 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
191 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
192 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
193 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
194 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
195 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
196 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
197 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91
198 Bank of Algeria	112	1.5	2.2	1.1	1.1	5.4	Jul 91
199 Bank of Tunisia	112	1.5	2.2	1.1	1.1	5.4	Jul 91
200 Bank of Morocco	112	1.5	2.2	1.1	1.1	5.4	Jul 91

BUILDING, TIMBER, ROADS - Contd

Stock	Price	Week	Month	Year	Dividend	Yield	Expiry
121 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
122 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
123 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
124 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
125 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
126 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
127 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
128 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
129 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
130 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
131 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
132 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
133 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
134 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
135 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
136 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
137 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
138 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
139 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
140 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
141 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
142 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
143 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
144 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
145 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
146 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
147 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
148 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
149 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
150 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
151 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
152 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
153 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
154 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
155 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
156 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
157 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
158 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
159 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
160 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
161 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
162 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
163 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
164 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
165 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
166 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
167 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
168 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
169 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
170 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
171 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
172 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
173 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
174 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
175 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
176 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
177 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
178 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
179 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
180 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
181 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
182 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
183 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
184 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
185 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
186 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
187 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
188 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
189 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
190 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
191 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
192 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
193 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
194 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
195 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
196 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
197 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
198 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
199 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91
200 Taylor Woodrow	277	2.1	3.2	1.5	1.5	5.4	Jul 91

CHEMICALS, PLASTICS

Alcan P 20	158	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	
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● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed be'ow). Call's charged at 38p per minute peak and 25p off peak, inc VAT

LEARNING OBJECTIVES

MINES—Contd.							
Market	Stock	Price	High	% Chg	Last	Minerals	
Cp						Paid	
2546	Amalg. Ontario	12					
2547	125 7/8 Rand Int. Gold	37 1/2	6 1/2				
2548	15 1/2 Royal Mining Cos.	14	-17 1/2				
2549	20 1/2 Western Pros.	15	-4				
2550	2 1/2 Gold, March, 10c.	35	-5 1/2	13 1/2		Aug. Feb.	
2551	20 1/2 Ontario Hatched 5c.	9	-4 1/2				
2552	9 1/2 Newcor	35	2 1/2	16		Jan. Jul.	
2553	6 1/2 Greenstone Int. Ltd.	38	2 1/2	26 3/8			
2554	15 1/2 Ontario Gold	21	4 1/2				
2555	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2		June Jan.	
2556	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2		Jan. Aug.	
2557	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2558	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2559	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2560	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2561	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2562	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2563	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2564	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2565	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2566	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2567	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2568	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2569	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2570	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2571	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2572	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2573	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2574	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2575	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2576	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2577	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2578	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2579	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2580	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2581	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2582	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2583	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2584	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2585	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2586	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2587	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2588	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2589	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2590	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2591	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2592	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2593	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2594	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2595	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2596	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2597	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2598	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2599	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
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2737	1 1/2 Ontario Mining	14 1/2	1 1/2	1 1/2			
2738	1 1/2 Ontario Mining	14 1/2	1 1				

Year	City	Population	Area	Population Density	Area Density	Population Density	Area Density
1910	Albany, N.Y.	12,000	1.0	120.0	120.0	120.0	120.0
1920	Albany, N.Y.	14,000	1.0	140.0	140.0	140.0	140.0
1930	Albany, N.Y.	16,000	1.0	160.0	160.0	160.0	160.0
1940	Albany, N.Y.	18,000	1.0	180.0	180.0	180.0	180.0
1950	Albany, N.Y.	20,000	1.0	200.0	200.0	200.0	200.0
1960	Albany, N.Y.	22,000	1.0	220.0	220.0	220.0	220.0
1970	Albany, N.Y.	24,000	1.0	240.0	240.0	240.0	240.0
1980	Albany, N.Y.	26,000	1.0	260.0	260.0	260.0	260.0
1990	Albany, N.Y.	28,000	1.0	280.0	280.0	280.0	280.0
2000	Albany, N.Y.	30,000	1.0	300.0	300.0	300.0	300.0
2010	Albany, N.Y.	32,000	1.0	320.0	320.0	320.0	320.0
2020	Albany, N.Y.	34,000	1.0	340.0	340.0	340.0	340.0
2030	Albany, N.Y.	36,000	1.0	360.0	360.0	360.0	360.0
2040	Albany, N.Y.	38,000	1.0	380.0	380.0	380.0	380.0
2050	Albany, N.Y.	40,000	1.0	400.0	400.0	400.0	400.0
2060	Albany, N.Y.	42,000	1.0	420.0	420.0	420.0	420.0
2070	Albany, N.Y.	44,000	1.0	440.0	440.0	440.0	440.0
2080	Albany, N.Y.	46,000	1.0	460.0	460.0	460.0	460.0
2090	Albany, N.Y.	48,000	1.0	480.0	480.0	480.0	480.0
2100	Albany, N.Y.	50,000	1.0	500.0	500.0	500.0	500.0

0411	2.04	Compassionate	19	25.0	-	-	-
0412	5.80	Sleepy Kids 5p	29	-6.5	-	-	-
	2.14	Saturday Studios 1p	17	-14.3	-	-	-
	0.52	Systems Connections	24	-	-	-
	6.50	Tomorrow's Lifestyle 20p	58	-	-	-
	1.09	UP! Gonna Win	22	-20.4	22.5	Dec	inh

9	ASUIT Group	1000	3.7	9.7	Jan Oct
9	90Video Magic Lp	55	4.8	26.1	Jan July
9	90Video Exts Sp	4	-	-	-
9	90Village Hldgs Sp	13	-	-	-
9	90Village Hldgs Sp	34	-	-	-

2389
2399
3767

NOTES

Stock Exchange dealing classifications are indicated to the left of security names: α Alpha, β Beta, γ Gamma.

[illegible]

45	50	55	60	65	70	75	80	85	90	95	100
46	51	56	61	66	71	76	81	86	91	96	101
47	52	57	62	67	72	77	82	87	92	97	102
48	53	58	63	68	73	78	83	88	93	98	103
49	54	59	64	69	74	79	84	89	94	99	104
50	55	60	65	70	75	80	85	90	95	100	105
51	56	61	66	71	76	81	86	91	96	101	106
52	57	62	67	72	77	82	87	92	97	102	107
53	58	63	68	73	78	83	88	93	98	103	108
54	59	64	69	74	79	84	89	94	99	104	109
55	60	65	70	75	80	85	90	95	100	105	110
56	61	66	71	76	81	86	91	96	101	106	111
57	62	67	72	77	82	87	92	97	102	107	112
58	63	68	73	78	83	88	93	98	103	108	113
59	64	69	74	79	84	89	94	99	104	109	114
60	65	70	75	80	85	90	95	100	105	110	115
61	66	71	76	81	86	91	96	101	106	111	116
62	67	72	77	82	87	92	97	102	107	112	117
63	68	73	78	83	88	93	98	103	108	113	118
64	69	74	79	84	89	94	99	104	109	114	119
65	70	75	80	85	90	95	100	105	110	115	120
66	71	76	81	86	91	96	101	106	111	116	121
67	72	77	82	87	92	97	102	107	112	117	122
68	73	78	83	88	93	98	103	108	113	118	123
69	74	79	84	89	94	99	104	109	114	119	124
70	75	80	85	90	95	100	105	110	115	120	125
71	76	81	86	91	96	101	106	111	116	121	126
72	77	82	87	92	97	102	107	112	117	122	127
73	78	83	88	93	98	103	108	113	118	123	128
74	79	84	89	94	99	104	109	114	119	124	129
75	80	85	90	95	100	105	110	115	120	125	130
76	81	86	91	96	101	106	111	116	121	126	131
77	82	87	92	97	102	107	112	117	122	127	132
78	83	88	93	98	103	108	113	118	123	128	133
79	84	89	94	99	104	109	114	119	124	129	134
80	85	90	95	100	105	110	115	120	125	130	135
81	86	91	96	101	106	111	116	121	126	131	136
82	87	92	97	102	107	112	117	122	127	132	137
83	88	93	98	103	108	113	118	123	128	133	138
84	89	94	99	104	109	114	119	124	129	134	139
85	90	95	100	105	110	115	120	125	130	135	140
86	91	96	101	106	111	116	121	126	131	136	141
87	92	97	102	107	112	117	122	127	132	137	142
88	93	98	103	108	113	118	123	128	133	138	143
89	94	99	104	109	114	119	124	129	134	139	144
90	95	100	105	110	115	120	125	130	135	140	145
91	96	101	106	111	116	121	126	131	136	141	146
92	97	102	107	112	117	122	127	132	137	142	147
93	98	103	108	113	118	123	128	133	138	143	148
94	99	104	109	114	119	124	129	134	139	144	149
95	100	105	110	115	120	125	130	135	140	145	150
96	101	106	111	116	121	126	131	136	141	146	151
97	102	107	112	117	122	127	132	137	142	147	152
98	103	108	113	118	123	128	133	138	143	148	153
99	104	109	114	119	124	129	134	139	144	149	154
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WATER
of life.

The Macallan. The Malt.

The Macallan. The Malt.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 35

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NASDAQ NATIONAL MARKET

40m prices July 20

Sales										Sales										Sales										Sales									
Ship	Qty.	Rate	High	Low	Last	Ship	Qty.	Rate	High	Low	Last	Ship	Qty.	Rate	High	Low	Last	Ship	Qty.	Rate	High	Low	Last	Ship	Qty.	Rate	High	Low	Last	Ship	Qty.	Rate	High	Low	Last				
AAW Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
ACC Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
ADD Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
ADT Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
AGT Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
AGT Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
AGT Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
AGT Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
AGT Co	16	23	234	328	374	4	17	78	14	14	14	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8	1	25	20	8	8	8				
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July 20

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The Business Column

Why banks' roots may no longer be branches

IN THE race to prepare for Europe's single market in commercial banking, one truth above all others has been held self-evident: that to become anything more than a niche player outside one's home market will require local branches with direct access to retail and corporate clients.

Good branch networks do not grow on trees. Creating one from scratch is slow and prohibitively expensive. Opportunities to acquire existing networks are scarce, and hardly any cheaper. Earlier this year, National Australia Bank paid almost \$1bn, three times book value, for Yorkshire Bank, a medium-size UK regional bank.

However, the fashionable wisdom is sharply contested in an article in the latest McKinsey Quarterly. It argues that retail networks, far from being the most powerful competitive weapon in banking after 1992, could turn out to be a source of dangerous vulnerability.

The authors point out that European banks have built up "enormous, largely fixed-cost infrastructures and networks."

These are sustainable only in a highly-regulated, non-competitive environment, where banks have not needed to price different services in line with cost and still depend massively on internal cross-subsidies.

Retail deposits

The biggest source of subsidy is retail deposits, which in many European countries pay interest at well below market rates. McKinsey estimates that margins on current accounts, which contribute nearly \$20bn - 54 per cent - of European banks' annual gross margins, are regularly used to cover \$23bn net losses on payment transfers.

In the UK, domestic deregulation has caused banks to start ironing out such discrepancies, though the travails of the Midland Bank demonstrate how hard adjustment can be. But distortions remain acute elsewhere. In West Germany, often regarded as home to the EC's strongest banking system, cheap retail deposits benefit the industry by an estimated DM25bn a year. That helps to offset the DM9bn cost of financial products, DM17bn losses on payments transfers and corporate lending and the whopping DM40bn fixed cost of branch networks.

However, the article notes that mutual funds, on average, offer a return 2.4 percentage points higher than European bank savings accounts. If money market funds achieved the same penetration in West Germany as in France, German banks' annual profits could fall to \$1.8bn from \$3bn. And if margins on savings deposits equalled those on mutual funds, as in the US, European banks' would have made a \$8bn loss instead of \$12bn net profits in 1986.

Small wonder that banks in Germany and some other countries where money market funds are thriving are resisting their introduction. But they cannot be held at bay indefinitely in an integrated European market.

Product innovations

Hence banks' top priority should be to safeguard their domestic earnings bases by focussing on product innovations tailored to specific customer requirements. Traditional bank networks, which rely on passive selling of undifferentiated products, are poorly suited to that task.

The article warns that "blindly trying to occupy a position, any position, in Europe will achieve little. Particularly so if exaggerated premiums have to be paid to get there. Indeed, the result may well be a sustained competitive disadvantage."

If McKinsey is right, 1992 will change radically banks' marketing methods and the structure of their liabilities. The consequences could be far-reaching, particularly in countries such as West Germany where cheap retail deposits subsidise unprofitable corporate lending.

There has been much evidence recently that in banking, as in many other industries, size and international exposure do not necessarily confer strength. Analysis of who have grown used to looking to banks' assets as a primary measure of their financial health might do well in future to pay more attention to the other side of the balance sheet.

Guy de Jonquieres

Senior police officers like Sir John Dellow are living through a year in which they cannot discuss their work without expecting to be questioned about the integrity of the police service itself.

Britain's system of policing is built around the principle that it functions with the consent and confidence of the public. That confidence has been called into question in recent months by a series of alarming episodes, including the release from prison of the Guildford Four after re-examination of police evidence, and the disbandment of the West Midlands Serious Crimes Squad amid allegations of officers attempting to obtain convictions improperly.

Sir John, Deputy Commissioner of the Metropolitan Police, is, as president of the Association of Chief Police Officers, the leading representative of Britain's chief constables in the highly-charged debate about policing.

His career began nearly 40 years ago as a constable in the City of London force, and took him to Kent and then the Metropolitan Police where he is remembered as the officer in charge of the Iranian Embassy siege in 1980. This year he was knighted. A knighthood goes with the job of Metropolitan Police Commissioner but not automatically to his deputy.

Sir John's knighthood acknowledges his personal standing among senior police officers where he has contributed extensively to discussions about the shape of policing.

He acknowledges the current public concern about the police and the justification for some of it. "Police officers are human and they make mistakes. They do unlawful things and they do improper things." But he questions the objectivity of some of the criticism.

When evidence of police malpractice comes to light, says Sir John, it sends public opinion of the police on a downward spiral. When there is a disaster or act of heroism by police officers, the spiral travels up. Both, he suggests, are equally invalid ways of assessing the state of public opinion about a service with which relatively few people have frequent direct experience.

In an attempt to gain firmer evidence, the Metropolitan Police commissions independent surveys of people visiting London police stations. These show satisfaction levels of about 80 per cent and opinion polls suggest that, in spite of recent events, the police remain well up the public's list of highly-regarded occupational and professional groups - far higher in the list, remarks Sir John with a smile, than politicians, lawyers and journalists who are often among the police's critics.

The police service, he says, is going through a period of condemnation at a time when it is "very likely better led, better managed, cleaner and of higher integrity than it has ever been."

He makes this strongly positive declaration not only on the basis of his own 39 years service but as chairman of the Metropolitan Police History Society.

"There were superb officers in the past but the demands are far greater now. We live in a much more complex and demanding society in all sorts of ways and the vulnerability of the police has been exposed over the years. The police service I was introduced to in 1951 existed in a largely self-regulating society which obeyed certain norms and standards. Since then we have become a

MONDAY INTERVIEW

Morale booster at the Met

Sir John Dellow, Deputy Commissioner of the Metropolitan Police, speaks to Alan Pike

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PERSONAL FILE

1931 Born in north-west London. Educated at Royal Grammar School High Wycombe and William Ellis School Highgate.

1951 Joined City of London Police.

1966 Superintendent in Kent Constabulary.

1969 First UK police officer to attend Joint Services Staff College, Latimer.

1969 Assistant Chief Constable of Kent.

1973 Joined Metropolitan Police.

1980 In charge of operations at Iranian Embassy siege.

1987 Deputy Commissioner.

1989 President of the Association of Chief Police Officers of England, Wales and Northern Ireland.

1990 Knighted in June.

less stable society for a variety of reasons.

"The police service has always been good at dealing with major problems like murder. But the areas where we can appear vulnerable are opportunistic crime, street nuisance, the sort of things police officers in the numbers we have them cannot possibly con-

rol - that is where we have lost it to a certain extent, because society has changed.

This problem has been manifested by a steady increase of frequently unsolved car thefts, burglaries, vandalism and similar offences. Does Sir John have a solution? His reply is linked to the approach he believes should be taken to restore confidence after recent blows to morale.

Ways have to be found, he believes, for the police service to renegotiate its contract with the public. This should include a demonstration by senior officers that they are running economic, efficient organisations of high integrity and professionalism, taking the public's wishes into consideration. For the public, it requires a recognition that the police cannot single-handedly protect a society which has become more acquisitive and shown greater tendencies to violence.

The concept of policing by consent did not mean consenting to what the police did. It referred to the need for people to contribute to the stability of their own society.

Police forces could look after the things which required their expertise - international crime, organised crime, murder, terrorism. "But we have to recognise that many of the more routine matters cannot be dealt with by the police alone but must involve society using all the agencies at its disposal - the right education system, the right town planning, the right social measures on people who misbehave."

In such circumstances the British ideal of policing - low on numbers, low on power, high on accountability - could flourish. Otherwise the police service would gradually appear to lose its effectiveness, or pressures for a bigger, more powerful force would grow.

The sinister thing about the latter was that police forces which were high on numbers and high on power tended to



'Police officers are human and they make mistakes'

have less accountability.

Public opinion is not the only heavy outside pressure on Britain's chief constables at present: the Government is demanding improvements in efficiency. "We should be obliged to use measurable indicators wherever that is possible but it is not the entire story," says Sir John. "The efficiency of a police force does not always equal effectiveness. If a detective is going to be an effective officer in the global service of the British police service he is going to spend some time in reassuring victims of crime. You cannot measure that but you need resources to do it, and we are trying to develop performance indicators which will include things that are qualitative."

The idea of creating an officer class of entry to the police has been revived by the possibility that defence cuts could soon put a growing number of military officers on the employment market. Currently all senior police officers, like Sir

John, rise from the ranks. Would he be unhappy to see this change?

He points out that the service attracts a better share of graduates than the armed services, and that fast-track promotion arrangements exist. There would be no objection to people joining the police from careers in the Army or elsewhere, provided they recognised that even people in the fast lane needed to spend time learning their trade.

Another issue on the political agenda is whether Britain's police structure, which is broadly based on local government boundaries, would be more efficient if replaced by a national force.

Differences of opinion exist between chief constables, and the ACPO is, in Sir John's words, trying to get the best of both worlds by increasing co-operation between forces. This led to agreement last week to establish, subject to Home Office approval, a national investigation bureau

with its own chief officer to co-ordinate the fight against organised crime.

Co-operation between police forces is becoming increasingly international as well as national. The ACPO is engaged in discussions with all EC police forces in readiness for 1992 and the police service is, suggests Sir John, more prepared for the single market than many other organisations.

European integration and greater police co-operation is likely to eventually bring another issue into focus - Britain's entire criminal justice system and how well it compares with EC alternatives. Police officers discovered to have falsified evidence properly stand condemned. But perhaps recent events also contain lessons about the quality of Britain's courts?

"I have a great belief in the jury system but in a way I think that is abused because of our system of getting at the truth in our courts. There is a

naivety about policemen, I'm afraid, who honestly do believe that the events which take place in court are about getting at the truth.

"I am not sure that our system really supports that belief. It is much more like a contest played to certain rules, and if the rules can be used to your advantage you win."

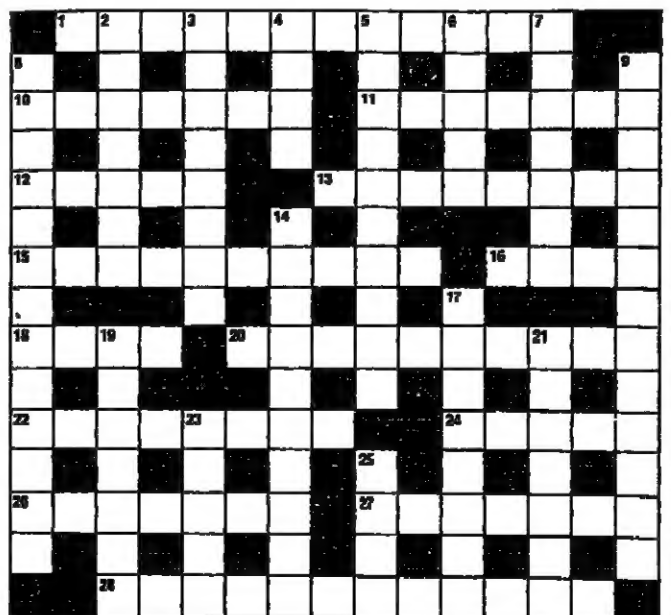
The system can, suggests Sir John, lead to a style of cross-examination which can reduce witnesses - police officers and others - to a point where they foolishly, not always wickedly, commit perjury by being forced by the adversarial court environment to make over-positive statements.

He says he has not made up his mind completely, because there are problems with the alternative inquisitorial, examining magistrate system which operates in some countries. "He wonders, however, whether Britain should be considering moving towards it."

JOTTER PAD

CROSSWORD

No. 7,296 Set by DANTE



- ACROSS**
- One will get nothing but pleasure from this task (6,2,4)
 - Capricious boy about to betray one's trust (7)
 - Takes parents out (7)
 - Roots develop into a trunk (5)
 - Charm is a curious personal quality (8)
 - Note odd word in novel Dickens didn't finish (5,5)
 - An image I'd behold in retrospect (4)
 - An old joke (4)
 - An air of 14 down? (4,5)
 - Two birds seen at 14 down (8)
 - Change to carry on the first of March (5)
 - Small type of green (7)
 - There's no place for him (4,3)
 - Useless demonstration of hunger-marchers' (5,7)
- DOWN**
- In war Eric is involved, flying aircraft (7)
 - Retiring - or extravert (8)
 - Run of the mill (4)
 - Its recipient won't be deeply hurt (5,5)
 - Poor shot at route planning (5)
 - Slipped away, unusually pleased (7)
 - Hide out from destructive insect (7,6)
 - Setting up in business (13)
 - The crack of dawn? (5,2,3)
 - A question of sex appeal? (4,2,2)
 - Hide away or gradually let out (7)
 - Sends back the proceeds (7)
 - Murphy's pile? (5)
 - Place where cubs may be left warm and dry (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 4.

FT FINANCIAL TIMES CONFERENCES

POLLUTION MANAGEMENT

Birmingham
2 & 3 October, 1990

Speakers include:

- Lord Clinton-Davis**
Former EEC Commissioner for Transport, Environment and Nuclear Safety (1985-89)
- Mr David Heathcote-Amory, MP**
Department of the Environment
- Dr Wilfred Beckerman**
Balliol College, Oxford
- Dr William L. Wilkinson, CBE, FRS**
British Nuclear Fuels plc
- Dr Hans Krämer**
Steag AG
- Mr Roger Jump**
PowerGen plc
- Mr Basil RR Butler**
The British Petroleum Company plc
- Dr John Bowman, CBE**
National Rivers Authority
- Mr S Thomas Orley**
Dow Europe SA
- Dr John Rae**
AEA Environment & Energy
- Mr Frank Holt**
ICI Biological Products
- Dr David Steele**
AEA Technology
- Dr John Reay**
DTI Warren Spring Laboratory
- Mr Michael Kleinman**
Computer Sciences Company Limited

The meeting has been timed to precede the Environmental Technology '90 Exhibition.

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